

Argentina	US\$11.1m	Macau	US\$1.1m
Bahrain	US\$1.1m	Malta	US\$1.1m
Belgium	US\$1.1m	Philippines	US\$1.1m
Canada	US\$1.1m	Portugal	US\$1.1m
Denmark	US\$1.1m	Spain	US\$1.1m
Egypt	US\$1.1m	Switzerland	US\$1.1m
Finland	US\$1.1m	USA	US\$1.1m
France	US\$1.1m	Yugoslavia	US\$1.1m
Germany	US\$1.1m	UK	US\$1.1m
Greece	US\$1.1m	USA	US\$1.1m
Hungary	US\$1.1m	USA	US\$1.1m
Iceland	US\$1.1m	USA	US\$1.1m
Iraq	US\$1.1m	USA	US\$1.1m
Indonesia	US\$1.1m	USA	US\$1.1m

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EUROPE'S BUSINESS NEWSPAPER

# FINANCIAL TIMES

Wednesday May 15 1991

GREEN LAW  
A very profitable  
practice

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World News Business Summary

## Bush chooses Gates as director of the CIA

President George Bush nominated Robert Gates, his deputy national security adviser, as director of the Central Intelligence Agency (CIA). President Bush said he had "absolutely no qualms" about nominating Mr Gates, in spite of controversy over his role in the Iran/Contra affair. Page 15

### Rail crash kills 42

Forty-two people were killed and 450 injured when two passenger trains crashed head-on in a rural district of western Japan. Page 4

### Nepal PM resigns

Nepal's prime minister quit after being narrowly defeated by a Communist party candidate in the nation's first multi-party elections in 32 years. Page 4

### Baker peace bid

James Baker, the US secretary of state, arrived in Jerusalem for talks likely to decide the fate of a proposed Middle East peace conference. Meanwhile, Soviet foreign minister Alexander Bessmertennyy returned unexpectedly to Damascus. Israel unheeding. Page 4

### Kuwaitis arrested

A Kuwaiti opposition group claimed that five of its members had been arrested for putting up posters welcoming home people abroad since the Iraqi invasion. Page 4

### Funeral protest

South Korean riot police beat and teargassed mourners at a funeral attended by more than 30,000 people mourning a student beaten to death by police. Page 4

### Aid for Bangladesh

Foreign ministers of the European Community agreed to give \$71m of emergency aid to victims of the devastation caused by last month's cyclone in Bangladesh. Page 4

### Peace pact near

The end of Papua New Guinea's bloody confrontation with secessionist rebels on the copious island of Bougainville is "within sight", Sir Michael Somare, the foreign minister, said. Page 4

### Swiss press Manila

Switzerland added to mounting international pressure on the Philippines to keep its US military bases, warning of instability in Asia if Manila evicted thousands of US troops stationed there. Page 4

### Italian probe

Italy's top anti-Mafia official said almost 15 per cent of local administrators, or 17,000 people, were being investigated for possible Mafia links, corruption or abuse of office. Page 19

### Pinochet action

A South African union threatened "massive" demonstrations against Barlow Rand, a local company, after reports that it issued an invitation to Chilean army chief Augusto Pinochet. Page 19

### Appeal court ruling

Hong Kong's appeal court averted mass disruption of the colony's legal system by overturning a ruling passed by a judge last month that to cut of 61 magistrates had been unlawfully appointed. Page 19

### 200 seek asylum

Nearly 200 foreigners, mostly Turks and Turkish Kurds, have gone on hunger strike in France in protest at the government's refusal to grant them political asylum. Page 3

### Paintings to stay

Ryoji Saito, the Japanese paper magnate who raised a storm by saying he wanted his Van Gogh and Rembrandt bought for \$3.5m and \$7.5m respectively last May, turned with him when he died, admitting that he was only joking. Page 21

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join

Spain shaking the financial foundations

EC and other Bank on course for free trade zone

Europe

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Companies

Companies

Companies

Companies

World Trade

## Mrs Mandela appeals against 6-year jail term

By Paul Waldmeir in Johannesburg

MRS Winnie Mandela launched an immediate appeal yesterday after being sentenced to an unexpectedly harsh term of six years' imprisonment for her part in the kidnapping and assault of four black youths in South Africa's political future. Speaking in the Cape town of Stellenbosch where he had gone to give an address, Mr Mandela, deputy president of the African National Congress, said the sentence would have "no consequences" for negotiations between the ANC and Pretoria.

These are already under threat because of a dispute

about sentencing in the Rand Supreme Court in Johannesburg, made clear immediately that the sentence would not jeopardise talks being held on South Africa's political future. Speaking in the Cape town of Stellenbosch where he had gone to give an address, Mr Mandela, deputy president of the African National Congress, said the sentence would have "no consequences" for negotiations between the ANC and Pretoria.

These are already under threat because of a dispute

about measures to end township violence which has left more than 800 people dead this year. The ANC has warned that it will call off further talks unless the government agrees by tomorrow to ban the carrying of spears at public gatherings.

Public reaction to Mrs Mandela's sentence was muted. Only a small and relatively passive crowd greeted her when she left the court on ball after sentencing. No senior leaders of the ANC were present in the court, reflecting the organisa-

tion's desire to avoid allegations that it interfered with the proceedings.

Mr Justice Michael Stegman criticised what he said was Mrs Mandela's "complete absence of compassion" in dealing with the four boys, who were assaulted and kept against their will in an outside room at her Soweto home. One of them, a 14-year-old Stompie Seipei, was later found with his throat slit in a township ditch.

Mrs Mandela was sentenced to a year's imprisonment for being an accessory to assault. "I believe she did not know of any assaults or that anybody

was held at the back of her house against their will," he said. "I trust that soon her name will be cleared completely."

A decision on whether to allow the appeal will be taken within a month, but the appeal itself might not come before the court until a year after that - at a time which could prove more politically sensitive than now, because formal talks should have started on a new constitution.

Devoted Nelson may be chief victim of conviction. Page 4

## Bundesbank chief expected to announce resignation

By David Goodhart and David Marsh in Bonn, Andrew Fisher in Frankfurt and Peter Norman in London

MR Karl Otto Pöhl, president of the Bundesbank, is expected to announce tomorrow that he intends to leave the job before his official retirement date at the end of 1995.

After weeks of speculation about his future, which has reached a new pitch in the past few days, the German central bank would only say yesterday that Mr Pöhl "regretted" the speculation about his intention to resign and that he would make a statement after the bank's central council meeting tomorrow.

There was also no official confirmation from the Finance Ministry in Bonn, from where the latest rumours of Mr Pöhl's resignation appear to have come.

The lack of a firm denial from the bank has led most analysts to assume that there is some foundation to the rumours.

Arriving for Frankfurt's annual banking dinner last night, Mr Pöhl looked cheerful but refused to comment as he entered the town hall with Mr Robin Leigh-Pemberton, governor of the Bank of England.

Mr Pöhl, 61, has let it be known in the past that he would probably leave for a job in business or in the international financial establishment before completing his second eight-year term.

But he had been reluctant to leave before securing compromises acceptable to the Bundesbank on European Monetary Union and on the bank's own restructuring.

Last weekend's meeting of European Community finance ministers, which agreed to postpone the establishment of a European central bank until 1996 or 1997, and the emerging compromise on Bundesbank



Karl Otto Pöhl: a position in the private sector beckons

restructuring, may have persuaded Mr Pöhl that he could now leave with a clear conscience.

German bankers expect that Mr Pöhl will announce his resignation after the Bundesbank council meeting tomorrow, according to a survey published yesterday. But opinion was divided over whether he would step down immediately.

A survey of 24 leading German banks published yesterday on behalf of the Düsseldorf-based industry association, the D-Mark, found that 53 per cent thought he would announce his leaving date rather than resign with immediate effect.

If he does announce his early retirement he is almost certain to set a firm date, which could be as early as the end of this month.

Mr Pöhl has not given his financial research company, found that 52 per cent of those polled thought Mr Pöhl would tomorrow announce his resignation against 38 per cent expecting him to stay.

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## Revaluation of peseta in ERM proposed

By Peter Bruce in Madrid

SPAIN MAY have to revalue the peseta in the exchange rate mechanism of the European Monetary System in order to continue its tight monetary policies while easing pressure on the currency, an influential Spanish research team said yesterday.

The peseta has been trading at the top of its 6 per cent fluctuation limit in the mechanism against the French franc for most of this year, forcing the central bank to intervene constantly. It has drawn fire from Paris, which says it cannot cut interest rates to boost the French economy without breaking the franc's ERM limit against the peseta.

The research department of Spain's biggest bank, Banco Bilbao Vizcaya (BBV), warned yesterday that money supply and credit growth were breaking targets, "obliging the Bank of Spain to maintain monetary discipline. Although ERM pressures could force some reduction in interest rates in the next few months."

Nevertheless, it said, "the Bank of Spain could hold to its strict policies and force the peseta into a narrow fluctuation band in the ERM along with the other currencies, including Britain, if it adequately revalued its central ERM participation upwards."

The peseta and sterling trade in 6 per cent bands in the ERM, while other currencies, Banks merge, Page 21

**Madrid**  
aims to  
stem North  
African tide

By Peter Bruce

SPAIN is requiring Moroccans, Algerians, Tunisians and Mauritians entering the country to have visas from today in an effort to stem the tide of North African migrant labourers entering the European Community.

More than 5m Moroccans passed through Spain last year, most of them on their way to work, legally, in France and northern Europe. But the Spanish have come under great pressure to help strengthen EC efforts to prevent illegal migration.

On average, the populations of the Maghreb countries are growing twice as fast as their economies and European leaders have begun to worry seriously about heavy immigration sparking political conflict in their own countries.

EC members have to agree to a Community-wide visa regime before the advent of the single market in 18 months time. Western diplomats in Madrid say the Spanish decision to impose visas now is a measure of the government's concern that any domestic conflicts in North Africa could quickly swell the number of illegal arrivals.

Madrid has no firm idea of how many of the 450,000 foreigners thought to be living in Spain are there illegally but racially inspired clashes have already occurred in Catalonia. In the run-up to the imposition of visas, officials say thousands of Moroccans have tried to enter the country.

The Government is planning to regularise the status of those North Africans already in the country without residence or work permits in an effort to cool tensions with Maghreb capitals. Algeria has already said it will immediately require visas from visiting Spaniards but Morocco and Tunisia are unlikely to retaliate for fear of frightening away tourists.

Work on a common EC visa regime will get harder though, if next year Madrid's EC partners insist on requiring visas from Latin Americans. That would force Madrid into a confrontation with its former colonies.

**Portuguese daily**  
goes private today

By Patrick Blum in Lisbon

PORTUGAL'S last state-owned daily newspaper and one of its oldest will be privatised today through a flotation on the Lisbon stock exchange.

Diário de Notícias, established in 1884, was nationalised with much of the Portuguese press in March 1975 and rapidly encountered serious financial troubles from which it only recovered in 1987. Since then steady, classified sales have produced steady profits.

With daily sales of about 80,000, mostly in Lisbon and the south of the country, its circulation puts it among the country's top four newspapers.

## French to make cleaner job of nuclear waste

By William Dawkins in Paris

FRANCE, which depends more than any other country on nuclear energy, is today due to relaunch long-stalled attempts to find a deep-storage site for waste generated by its 57 reactors.

Mr Michel Rocard, the prime minister, was obliged 15 months ago to impose a moratorium on geological tests for deep storage because of violent local opposition at three of the four sites chosen, compounded by what officials now admit was failure to consult the public. The discovery last year of unusually high radioactivity at a former surface storage site has since given the normally disorganised Green Party something of a boost.

This time the government is hoping to avoid previous mistakes by asking parliament to decide, rather than simply issuing instructions to the CEA atomic energy authority.

Today's weekly cabinet meeting is due to adopt plans to restart geological tests on two as yet undeclared sites. Parliament will vote again on the site of the final dump in 10 to 15 years' time in the light of the test results. In the meantime, high-level waste would continue to be stored above ground at La Hague in northern Brittany and Marcoule in Provence.

The new test sites will be chosen on the advice of an independent expert, likely to be Mr Christian Bataille, the Socialist MP from Nord-Pas-de-Calais, the area which embraces France's largest nuclear power station, near the coastal town of Gravelines. He is the author of an all-party parliamentary report recommending that deep storage is the only option.

As a recognition of their contribution to this national problem, the communes chosen for testing would be paid around FF150m (£35m) annually, half the local tax revenues they would get from an average nuclear power station.

Andra, the state-controlled nuclear waste management agency would meanwhile be made independent from the CEA to soothe public suspicion that it was under the nuclear energy authority's total control.

Fortified by Mr Bataille's report, the government is keen to forge ahead as soon as possible because France's huge nuclear energy industry — supplying more than 80 per cent of the country's electricity — is clearly incomplete without proper waste storage.

If anything, it's a moral problem. The government believes that we can't leave it to future generations to decide what to do with the nuclear waste produced by this generation," says Mr Claude Mandil, energy director general for the industry ministry. Even if all goes smoothly in the debate, it will be up to 15 years before construction of a FF10bn deep storage site can even begin.

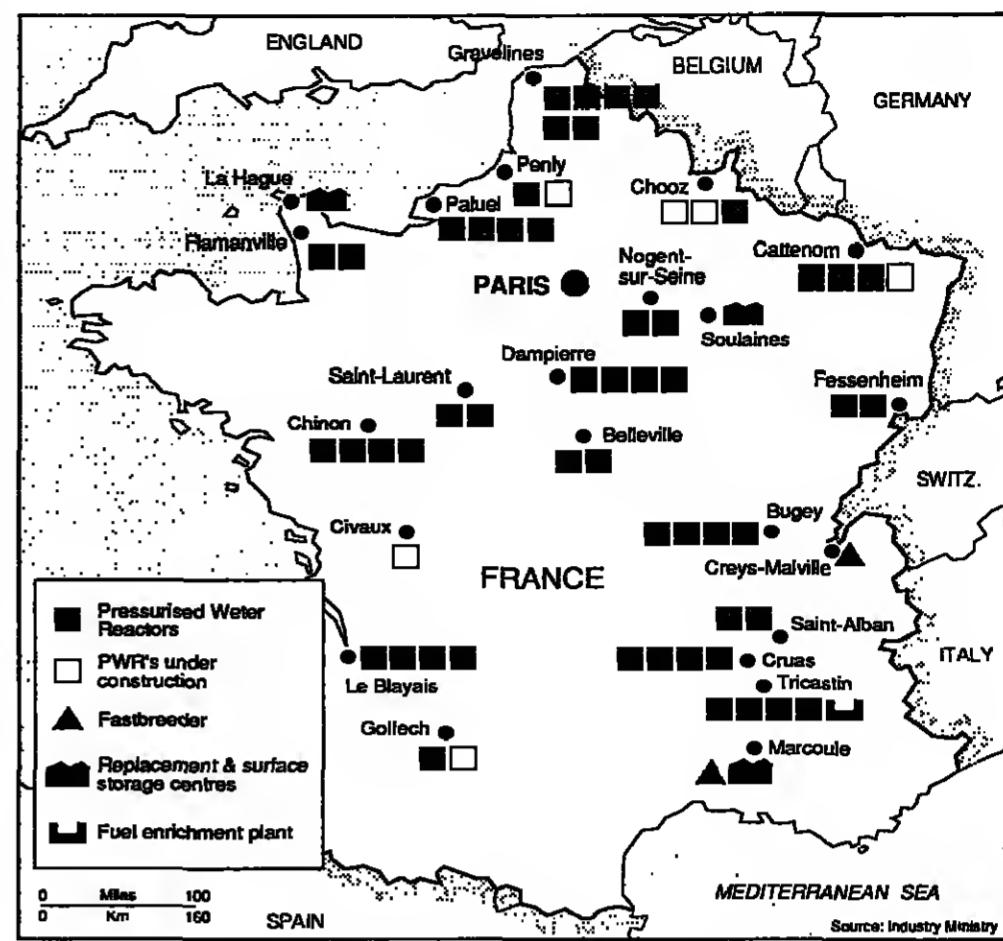
For all the general public's nuclear sensitivities, industry officials believe the political establishment continues to support nuclear energy — and therefore deep storage — strongly enough to give the plan a majority when parliament debates it next month.

The main source of opposition will probably be from a handful of environmentally sensitive MPs in the ruling Socialist party, backed by those independents sensitive to the lobbying of the Green Party, which has no national MPs but which took 11 per cent of the vote in the last European elections.

The government has gone to great lengths to prepare public opinion for this second attempt to solve the storage problem. One result has been a beginners' guide to nuclear energy written by Mr Mandil, in which technical explanation is leavened with satirical comment from Pluton, the leading French cartoonist.

One cartoon, referring to fission generated last year by the discovery of traces of benzene in Perrier water, shows an alarmed nuclear worker clad in safety gear, standing in front of a leaking pipe as he tells his boss: "Chef — we have found traces of Perrier."

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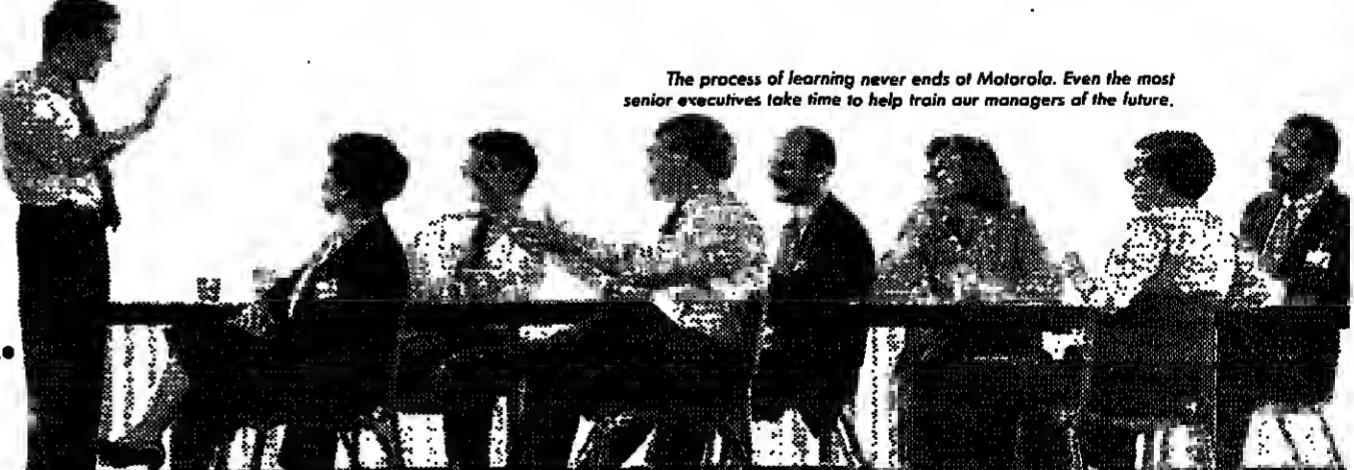
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## INTERNATIONAL NEWS

## Devoted Nelson may be chief victim of Winnie's conviction

Nothing has proved more painful since Mandela's release 15 months ago from a life sentence, writes Patti Waldmeir

**O**F ALL the difficulties which Nelson Mandela has faced since he left jail 15 months ago, none has proved so manifestly painful as to see his wife branded a criminal and sentenced to six years imprisonment.

That may well prove the most important implication of the conviction of Mrs Winnie Mandela, who was yesterday sentenced to five years for kidnapping and one year as accessory to the assaults of four young men in Soweto in 1988.

Mr Mandela, 72 years old, seemed to crumble after the verdict was read on Monday. No longer the erect and dignified leader, he looked like the old man that he is: a septuagenarian who follows a schedule which would lay low a man decades younger, a husband stricken by guilt for the wife he left behind 27 years ago, when he was sentenced to life behind bars.

The conviction - which legal experts say could yet be overturned

on appeal - will provoke no direct ruptures between the African National Congress (ANC) and the Government. Mr Mandela said as much, immediately on hearing the sentence.

The issue could exacerbate already existing divisions within the ANC. Many ANC leaders feel that, as a convicted criminal, Mrs Mandela must resign immediately from her ANC posts - among others, she is head of social welfare - pending an appeal which may not be heard before a year has passed.

Indeed, long before Mrs Mandela's three-month trial in the Rand Supreme Court began, she was found guilty by the rough and ready justice of some of her peers in Soweto. Her Soweto home was burnt down four years ago, in protest at the activities of her bodyguard, the notorious "Mandela United Football Club". In that instance, members of the club were accused of raping a teenage girl. The crimes for which

Mr Mandela could find himself head of state in the first post-apartheid government with a first lady who is serving a prison sentence

Mrs Mandela stood trial also involved the "club".

Earlier this month, in a secret ballot for the leadership of the ANC's Women's League, Mrs Mandela - dubbed "Mother of the Nation" for her opposition to apartheid - was heavily defeated. The decision must have been influenced by the chilling evidence being heard simultaneously in the Rand Supreme Court.

Even more recent tests of Mrs Mandela's popular support have also proved unconvincing: the crowd which greeted her on the steps of the court building yesterday numbered only a few hundred, and many of them were passers-by. The odd cry of "Winnie we love you" was heard, proclaiming all the more loudly

because the chorus was so small. But she is not without a power base in the ANC, and especially in its ultra-radical Youth League, and in moderate statements prove widely popular. A speech of hers in 1986 giving her backing to the barbaric practice of "necklace" killing, outraged whites and conservative blacks, but gave her an immediate status within radical ranks.

Mr Chinaman, chief of staff of the ANC military wing and a noted militant, promised recently that an ANC government would release her from jail if the Pretoria authorities imprisoned her. One of the ANC's most senior leaders recently predicted privately that a conviction would virtually assure Mrs Mandela election to the organisation's national executive committee when a poll is held in July. Young radicals are likely to see her guilty verdict as another incident of apartheid at work, a further attempt to victimise a woman buried, detained and harassed by Pretoria for 30 years.

But her most loyal supporter is undoubtedly the husband who remains devotedly convinced of her innocence. The three-month trial has taken its toll of him, at a time when township violence is putting him under an intolerable strain - many township blacks blame him for failing to protect them - and when his relations with the National Party government are threatened.

If there is a groundswell of support for the ultra-radical Mrs Mandela, this will make Mr Mandela's task of seeking a compromise with the government all the more difficult.

His efforts at developing an integrated South Africa, at times when

black suspicion of whites is running high because of allegations that right-wing whites, including police, have incited township unrest, may have been damaged by the trial.

Mr Mandela's health could well suffer as the case drags on to appeal and Mrs Mandela labours under the various condemnations of Mr Justice Michael Stegmann that she was "a calm, composed, deliberate and unshakable" but that she masterminded the kidnapping of four youths, one of whom was later found with his throat slit in a Soweto ditch; that she knew they had been assaulted but wilfully ignored their plight; that she betrayed her duties as a community leader and displayed a total lack of compassion.

In the most extreme case, Mr Mandela could find himself head of state in the first post-apartheid government with a first lady who is serving a prison sentence. It is scarcely a happy prospect for him, or for the new South Africa.

## Japan shocked as 42 die in rail crash

By Stefan Wagstyl in Tokyo

**F**ORTY-TWO people were killed and 453 injured yesterday in Japan's worst railway accident since 1963.

The accident shocked Japan, who place the highest confidence in the reliability of their railway network, including the famed bullet trains. Mr Tomiichi Murayama, the Japanese prime minister, expressed his regret and has promised an independent investigation.

Two passenger trains crashed head-on in the collision which occurred on a single-track line in a rural district of western Japan. One train was crowded with more than 500 passengers, some standing in the aisles, travelling to a local pottery festival. The two trains were meant to pass each other at a passing point, but the crowded train was late leaving its last station.

The crowded train was being operated by West Japan Railway, a division of the state-owned Japan Railway Corporation. The other train was being run by Shigaraki Kogen Railway, a private local company, which also owns the line on which the accident occurred.

Shigaraki Kogen normally runs 18 round-trips daily on the line but this was increased to 27 during the festival, including two trains run by West Japan Railway.

The investigation into the crash will centre on whether an automatic signalling system on the line was working properly and whether railway staff gave the required manual signals.

### Algerian party drops candidates

Algeria's ruling National Liberation Front (FLN), facing multi-party general elections for the first time ever, has dropped more than 80 per cent of members of parliament from its list of candidates, Reuter reports from Algiers.

Many prominent figures in the FLN's socialist past have disappeared from its list of candidates, reflecting its rapid transformation from a reformist party competing with more than 40 other groupings.

### UN Cambodia team

A United Nations military mission arrived in Phnom Penh yesterday to observe a ceasefire from the Cambodian government side after guerrilla armies pledged to keep the truce, Reuter reports from Phnom Penh. The official UN news agency said the three-man team would tour areas of western and southern Cambodia where heavy fighting was reported to be voluntary May 1 ceasefire.

### Aid for Indonesia

Indonesia's aid donors are likely to offer the same amount this fiscal year as last year, the chairman of its donor committee said yesterday. AP-DJ reports from Jakarta. Mr Jan Pronk, a minister in the Dutch government, told reporters after a meeting with President Suharto that the Inter-governmental Group on Indonesia is satisfied with the way Jakarta has carried out its economic policies during the past year.

### Robert King

Robert King, long-time correspondent in Taiwan for a number of UK, Australian and North American publications and radio news networks including the Financial Times up to 1988, died in hospital in Taipei on Monday as a result of complications arising from a kidney infection. Bob King, 45, an American, had been based in Taipei since the late 1970s and was a well-known figure among the Asian-based foreign correspondents' press corps.



Mr Madan Bhandari, general secretary of the Nepali Communist party, salutes his supporters

## Nepal PM resigns after losing seat to communist in election

By Rose Harrington in Kathmandu

**N**EPAL'S prime minister resigned yesterday after being narrowly defeated by a Communist party candidate in the nation's first multi-party election in 33 years.

"I have accepted the verdict of the people," said Mr Krishna Prasad Bhattarai, who led Nepal's coalition cabinet since last year's April revolution against King Birendra. Mr Bhattarai also tendered his resignation as acting president of the Nepali Congress party.

Mr Bhattarai lost his Kathmandu constituency seat to Mr Madan Bhandari, general secretary of the Nepali Communist party (United Marxist-Leninists) by 561 votes (27,372 to 26,821).

Tens of thousands of jubilant Communist party supporters celebrated in the streets of the capital after the result was declared, amid a heavy security force presence.

This fuelled speculation that the King might impose a state of emergency in the event of a communist government being

formed. Congress, a centre party backed by India, is running neck-and-neck with the communists.

With one-third of the votes counted from last Sunday's election in the kingdom of 1.8m people, Congress leads with 33 seats, while the Communists have won 27 constituencies.

Final results are expected to be announced by the end of the week. In the meantime, Mr Bhattarai accepted a request by the king to serve as acting prime minister until the new government is formed.

The strong communist showing in the election has sparked fears that Nepal's fledgling democracy will be ruled by an unstable coalition, regardless of which party ultimately leads the new government.

Mr Bhattarai's defeat is expected to create a crisis within the leadership of the Congress party, which is divided between those who would favour a coalition with the royalist parties backed by

the king, and those who would prefer some kind of political accommodation with the communists.

"Bhattarai was a moderate who could bring together these two factions in a compromise," said Mr Jay Sharma, editor of the weekly newspaper, *The Independent*.

The most likely successor as leader of the Congress party is GP Koirala, a staunch anti-communist and general secretary of the Congress party.

The communists are equally divided between the hard-left faction led by Mr Bhandari and a more moderate faction led by Mr Man Mohan Adhikary.

It remains unclear which faction would form a new government, should the communists win the election nationwide, or whether a coalition can be formed between the communists and the Congress party, in the wake of what was a highly emotional and tense campaign.

The opposition has been par-

## Israel unbending on Syrian peace talks demands

By Hugh Carnegy in Jerusalem

**I**SRAELI government yesterday showed no sign of budging on the key issues barring the way to a proposed Middle East peace conference as Mr James Baker, the US secretary of state, arrived in Jerusalem for talks likely to decide the fate of his mission.

In an unusual move perhaps meant to symbolise his efforts to bridge the yawning Arab-Israeli gap, Mr Baker forsook his airliner and travelled to the disputed Holy City overland from Amman, where he had met King Hussein.

His route took him past Palestinian refugee camps in Jordan, over the Allenby bridge crossing point on the Jordan River into the Israeli-occupied West Bank and up to Jerusalem past a number of the expanding Jewish settlements that Washington and the Arab world condemn as obstacles to peace.

Mr Alexander Bessmertnykh, the Soviet foreign minister who has worked closely with Mr Baker over the past week, sounded an optimistic note when he returned unexpectedly to Damascus for his second round of talks with Syrian leaders within the last week.

"We can say hopes are increasing and all countries are working to adopt measures for holding a peace conference. There are problems which need to be solved and we are continuing to work," Mr Bessmertnykh told reporters.

However, US officials have struck a much gloomier note, admitting there remained great differences between Syria and Israel on two central issues.

Syria has insisted that the proposed peace conference, envisaged as opening the way to detailed bilateral Arab-Israeli negotiations, include a prominent role for the UN. It also wants the conference to reconvene at intervals to monitor progress in the negotiations.

Mr Baker did not appear to hold out much hope of persuading Mr Yitzhak Shamir, the Israeli prime minister who will meet for the fourth time in two months today, to soften his rejection of the Syrian demands.

Israeli ministers have said in advance of Mr Baker's visit that the government has already made significant concessions by agreeing in the first place to a regional conference - which it previously rejected - and by accepting Soviet and European Community participation. They argue that no equivalent ground has been given by the Arab side.

None the less, there is apprehension in the government that Israel - along with Syria - will be blamed by Washington for the peace process collapses. The main fear is that the Bush administration might then turn a deaf ear to Israeli requests for extra financial aid to help it cope with a tide of Soviet Jewish immigrants who threaten to swamp the economy.

Mr Shamir may therefore be prepared to agree to a less ambitious peace talks formula that would exclude Syria but include Jordan, Egypt, the Palestinians and possibly the Gulf states.

Arabs boycott, Page 7

## Kuwaiti opposition party says five members detained

By Our Middle East Staff

**A**KUWAITI opposition group said yesterday that five of its members had been arrested at the airport for putting up posters welcoming home people who had been abroad since before the Iraqi invasion.

The five, members of the Islamic Constitutional Movement (ICM), were said to have been arrested on Saturday. The organisation added that they had all been in Kuwait throughout the occupation and had been active in the resistance.

The ICM is one of at least seven groups campaigning for the introduction of democratic reforms and a reduction in the power of the ruling al-Sabah family. Although the authorities have promised greater public participation in government and eventual elections no timetable has been announced.

The opposition has been par-

ticularly critical of the composition of the new government announced more than three weeks ago. A subsequent attempt to hold a joint press conference at a Kuwait hotel was banned and the opposition was unable to find another venue.

Tens of thousands of Kuwaitis are due to return during the next four weeks, many of them for the first time since Iraqi forces were forced to withdraw at the end of February.

However, the government expects that many will again leave once they have inspected their property and assessed how quickly repairs, where needed, can be carried out.

The government has also announced that it expects to begin soon the trials of more than 200 people accused of collaborating. Most of them are believed to be Palestinians.

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ticularly critical of the composition of the new government announced more than three weeks ago. A subsequent attempt to hold a joint press conference at a Kuwait hotel was banned and the opposition was unable to find another venue.

In order to provide good service for other customers and for customers in the US, you have to be independent. If Nissan controls Ichikoh, it will hurt competition," Mr Tsukatani claimed.

As for the elevation of his son, a managing director at Ichikoh, who spent three years in Nissan's overseas department, Mr Tsukatani wrote in a letter to Nissan executives that he could find no one more capable at Ichikoh.

"When I think about a person who will continue with my philosophy, although young, I think of Takanori. Even though there are some things that he will not attain, his integrity cannot be beat and he will continue Ichikoh's independence," he wrote.

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## Japanese corporate family row becomes public feud

A piqued executive is to complain to President Bush about his Nissan parent, writes Robert Thomson

**A**SQUABBLE at Japan's largest maker of rear-view mirrors is providing an unusual perspective on the Japanese corporate families, known as *keiretsu*, and has prompted a piqued executive to write to President Bush to spell some beans about Japanese companies.

The mirror maker, Ichikoh Industries, is also the second largest producer of car lights and an affiliate of Nissan Motor, which is blamed by Mr Tetsuya Tsukatani for orchestrating his removal as chairman. He also claimed that the car maker did not want his 44-year-old, Stanford-educated son to head the company.

It is rare for Japanese corporate bickering to flow out of the boardroom, but Mr Tsukatani, 71, is stinging for maximum impact. Yesterday he called a press conference to announce his campaign against Nissan and to reveal a few dirty extracts detailing meetings of the corporate family members. Mr Tsukatani suggested

that Nissan disapproved of his chairmanship because he wanted to keep Ichikoh out of the car makers' *keiretsu* grouping and free to conduct business with other regular customers, including General Motors and Chrysler.

A spokesman for Nissan said that the company has a 20.9 per cent stake in Ichikoh and, as the leading shareholder, has a right to "express an opinion" on management and personnel issues. But Nissan insisted that the removal of Mr Tsukatani in late February was entirely the responsibility of the 20-member Ichikoh board.

"We had stated our opinion regarding the top personnel, but this is really an in-house problem. It was up to Ichikoh. We know that Mr Tsukatani wanted to make his son the president, but almost all of the board members were against it," the spokesman said.

Mr Tsukatani, whose father founded the company, prefers to por-

tray the decision as an example of the Nissan *keiretsu* unfairly exercising influence; he said that his downfall came three days after a meeting with Nissan executives at which he was told to resign.

Mr Tsukatani wants prosecutors to take action against two Ichikoh officials, who allegedly represented his dismissal as a resignation. However, he apparently has no plans to take legal action against Nissan.

Mr Pickens recently announced that he will sell his stake, bought with funds borrowed from a Japanese stock speculator, after having failed to gain a place on the Koto board and claiming that Japanese corporate fun-

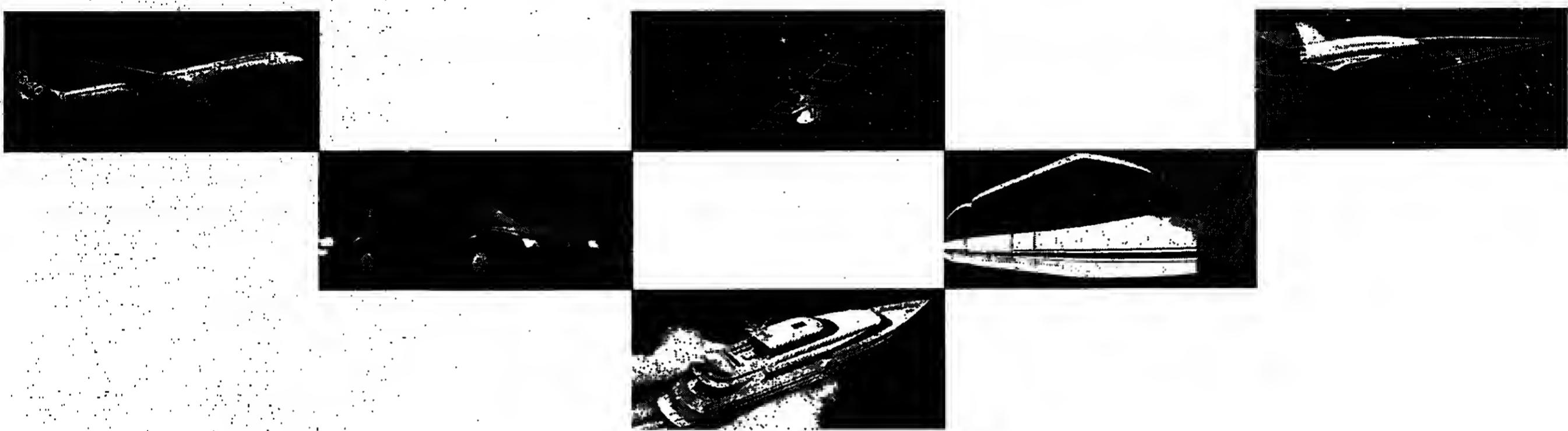
lies remain closed to outsiders. The complexity of the *keiretsu* is highlighted by the fact that Toyota also has a 6.1 per cent stake in Ichikoh, while two other vehicle builders, Isuzu and Daito, have small stakes in the company, which reckons that 50 per cent of its sales are made to Nissan.

US officials have targeted the *keiretsu*

WEDNESDAY MAY 20  
Japan shocked  
42 die in  
rail crash  
By Stefan Wenzel

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Antoine de Saint-Exupéry



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## AMERICAN NEWS

## Decline in US retail sales less than forecast

By Michael Prowse in Washington

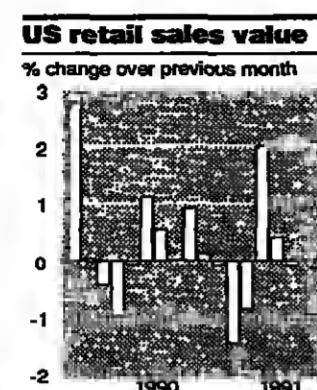
US RETAIL sales fell fractionally in April but yesterday's sharp upward revision for March unsettled the US bond market. Separate figures showed a modest 0.2 per cent increase in consumer prices, further evidence that the still weak economy is curbing inflationary pressures.

Retail sales, after seasonal adjustment, fell 0.1 per cent last month - considerably less than the 0.4 per cent decline expected in financial markets. The Commerce Department also sharply revised figures for March to show an increase of 0.4 per cent instead of a decline of 0.8 per cent.

The bond market, already subdued by last week's record \$37bn (\$21.5bn) Treasury refunding, responded negatively to the news as analysts discounted the prospect of another interest rate cut. By mid-day the benchmark long bond was down nearly a full point at 9.1%. Shares were also weak, with the Dow Jones Index down 27.95 points at 2856.47 at midday.

For retail sales, the overall picture in recent months is of sharp decline between November and January, followed by recovery in February and March - and stability last month. On average, sales in the past three months were 0.9 per cent higher than between November and January and 1.1 per cent above the level of a year ago.

Yesterday's inflation figures were in line with expectations.



The 0.2 rise in the index followed a 0.1 per cent fall in March. So far this year consumer prices have risen at a seasonally adjusted annual rate of 2.5 per cent, compared with a rise of 6.1 per cent for 1990 as a whole.

Recent small increases in prices suggest the sharp rise in January and February was an aberration. Excluding the volatile food and energy components, "core" consumer prices rose 0.3 per cent last month and at an annual rate of 4.4 per cent in the past three months.

This compares favourably with an annual core inflation rate of 5.9 per cent in the three months to January.

The better retail sales figures since February reflect a modest rebound in purchases of durable goods such as cars - partly a reflection of falling interest rates.

### Argentine military rebuffed

EFFORTS by Argentina's armed forces to win an increase in military spending from the government have been firmly rebuffed, writes John Barham in Buenos Aires.

Mr Ernesto González, the defence minister, fired the navy's second-in-command on Monday evening and the Economy Ministry firmly rejected demands for more money.

Rear-Admiral Antonio Mozarelli was sacked for making

"inopportune" public statements about the armed forces' dwindling budgets. He said last week that insufficient military spending had left Argentina "defenceless", while salaries did not "last to the end of the month".

The admiral's departure signals a victory for Mr Domingo Cavallo, the economy minister, and a reversal for the armed forces after a week of intense pressure on the government.

## Drexel sensitive about delicate compromise

Nikki Tait reports on the complex settlement between the US investment bank and its creditors

LAWSYERS for Drexel Burnham Lambert, the controversial US investment bank which filed for Chapter 11 bankruptcy protection 15 months ago, were emphatic - no quotes.

Yet by the first anniversary of the bank's demise, claims against the estate had risen above \$20bn. Within this figure, the "undisputed fixed claims" - that is, loans to Drexel - were a relatively modest \$2.5bn. But claims based on allegations that Drexel had contravened securities law amounted to \$20bn; the Internal Revenue Service had demanded \$5.3bn; and other legal claimants believed that they were owed some \$5bn.

When journalists quibbled, the response was blunt: take it or leave it. No one, they claimed, wished to personalise the matter, which lays the groundwork for Drexel's re-organisation and comes after months of hard bargaining.

Such sensitivity about a document already filed in open court is instructive. It underlines the extent to which this crucial securities litigation settlement - which ends legal action against Drexel itself - is a delicate compromise, achieved thanks to the prodigious of an 84-year-old judge and a good deal of pragmatism on the part of the lawyers themselves.

The problem, in essence, was simple. Here was the most profitable but contentious investment bank of the 1980s, which had filed for bankruptcy in February 1990 with assets worth \$3.7bn. Because some of these were in the form of highly levered, high-risk junk bonds,



Michael Milken, former head of Drexel junk bond operations

fixed creditors, for example, got 85 per cent of the first \$1.3bn, once secured claims and expenses have been met; the securities litigants get 15 per cent. For further payments, these proportions change.

But there is a second and more interesting element to the deal. For months, one of the biggest burdens facing the Drexel bankruptcy has been the Federal Deposit Insurance Corporation (FDIC), which insures deposits with US savings institutions, together

with the Resolution Trust

Company, overseer of the multi-billion dollar bail-out of the thrift industry.

For political reasons, these agencies have every incentive to claw back the last possible dollar from whatever source.

Accordingly, with the aid of a high-powered team of litigators, they alleged that Drexel "systematically plundered" the savings and loan institutions - some of which were among the bank's best customers - and slapped in a horrendous \$11.3bn claim.

Yet, in retrospect, the move may have been shrewd. For, to a large extent, the FDIC claims have now been traded for information and legal advantage. Under the settlement, Drexel agrees to "pool" its own claims with those of the FDIC - and one group of investor class actions - where there is a common defendant.

In return, it will get 14 per cent of any monies recovered from these suits up to \$400m; the rest will go to its fellow litigants.

But still, from the FDIC's standpoint, Drexel will give it ready access to internal documents.

The bank says that it will expedite the availability of "non-privileged" information immediately. And once its re-organisation plan gets the court's blessing, it will also turn over documents that would normally be subject to attorney-client privilege, unless objections are raised in court.

Perhaps what is most significant, this "pooling" agreement will cover action against ex-Drexel employees, such as Mr Michael Milken, who ran the bank's junk bond operations and is already the subject of a \$6bn lawsuit from the FDIC and RTC. After all, certain employees, together with special employee partnerships, are alleged to have been major financial beneficiaries of the

bank's junk bond activities.

The ultimate irony in this arrangement is that litigators for a federal agency could eventually go into court testing the very man who made the bank so wealthy in the first place.

So what happens next? Settlement of the securities litigation does not end the bankruptcy process. A formal plan of re-organisation, only tentatively sketched out in the settlement, must now be drawn up. It must then win a favourable vote among creditors. This procedure will take best part of a year at least.

And the debtor must still solve the problem of the IRS, which is pressing a much heavier tax than the FDIC. Drexel lawyers say that the taxman's \$3.3bn claim has been pared back by some \$300m, but such a figure would still wreak havoc on the settlement arrangement.

If nothing gives, the merits of the claim will be heard by the courts next month.

On the plus side, that hearing will pass before the bankruptcy court judge who, having seen matters come this far, may be reluctant to watch the whole process blown off course.

And it would surely be somewhat ironic if one government agency were to be hamstrung the chances of another of extracting some money back from Drexel's demise.

## US seeks assurances from Gorbachev in return for summit blessing

By Peter Riddell, US Editor, in Washington

THE US will only back an invitation for Soviet President Mikhail Gorbachev to attend the Group of Seven heads of government summit in London in mid-July if it is assured of a positive commitment to Soviet economic reform.

The possibility of Mr Gorbachev attending the summit was discussed by the leaders of Japan, Germany, Britain, France, Italy, the US and Canada at last year's meeting in Houston. Soviet officials have also recently been angling for an invitation.

This reflects the view of senior US policymakers that, while there has been some recent progress in defusing the Soviet constitutional crisis,

and its closer involvement in the international economy. But US officials are concerned that the Soviet leader should not hijack the summit and detract from its basic purpose of discussing mutual economic and trade issues.

Noting the Soviet interest, President George Bush said yesterday that the possibility of an invitation would be further discussed with other G7 leaders. But he stressed that if Mr Gorbachev attended, it was important that "something positive will happen".

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and its closer involvement in the international economy. But US officials are concerned that the Soviet leader should not hijack the summit and detract from its basic purpose of discussing mutual economic and trade issues.

Officials planning for the London meeting are considering a possible joint declaration by the G7 leaders.

This might start with an assertion that the present Soviet economic plan will not work, and then state that any reforms must depend on the introduction of basic property and contract rights, as well as a macroeconomic stabilisation plan and greater competition, reinforced by a safety net for those adversely affected.

Any western assistance would be tied to specific agree-

ment by Mr Gorbachev.

This step-by-step approach is being reflected in the current administration debate over how to respond to a Soviet request for \$1.5bn in export credits for farm products. Officials are reluctant to give an unconditional commitment, so any approval may be linked to the work of a high-level mission of farm experts flying to the Soviet Union later this week to advise on improvements to the food distribution system.

Mr Bush was also non-committal yesterday about the timing of his already postponed summit with Mr Gorbachev. He said there was no set time and no agreement. "We made

it clear that I would like to go to Moscow under certain conditions and I'd like to think I will."

On the plus side, that hearing will pass before the bankruptcy court judge who, having seen matters come this far, may be reluctant to watch the whole process blown off course.

And it would surely be somewhat ironic if one government agency were to be hamstrung the chances of another of extracting some money back from Drexel's demise.

### Allies urged to honour Gulf war pledges

By Peter Riddell

THE US has so far received about \$36bn out of \$34.5bn promised by its Arab and European allies and Japan for the military costs of the Gulf operations since last August.

Mr Eugene McAllister, assistant secretary of state for economic and business affairs, yesterday told the House foreign affairs committee that the US was "very vigorously" continuing to pursue our efforts to achieve rapid disbursement of the remaining commitments.

The US is holding continuing discussions with Japan about how it could contribute towards the US's containing military costs associated with the crisis. This refers to the current operations in support of the Kurdish refugees.

Mr McAllister said the US was focusing on Saudi Arabia (which has disbursed nearly half of its \$13.5bn commitment for 1991), Kuwait (which has disbursed half of a similar amount) and Japan. Germany has disbursed all its promised \$5.5bn and the United Arab Emirates has paid over nearly all of its pledged \$4bn. The Saudi government said it will complete its commitment by the end of next month.

There has been strong congressional pressure for the allies to pay up what they have promised in contributions to war costs.

Mr David Mulford, Treasury under secretary for international affairs, told the committee that, while the estimated cost of the military operation had not been finalised yet, it was likely to be \$36bn plus. He confirmed that about \$36bn had been received out of a pledged \$34.5bn.

Separately, the US has organised the Gulf Crisis Financial Co-ordination Group of 26 countries, the European Commission and the Gulf Co-operation Council to pull together bilateral economic support for countries worst hit by the crisis.

Mr Mulford told the committee that the group has so far secured commitments of \$16.1bn for the period from last August until the end of this year. Of this some \$11.7bn has been pledged to Egypt, Turkey and Jordan, of which \$5bn has so far been paid over out of total disbursements of \$8.9bn.

The balance of the commitments and disbursements has gone to Bangladesh, Djibouti, Lebanon, Morocco, Pakistan, Somalia and Syria.

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The debtors of the debtor must announce within the same period their respective debts.

Those in possession of assets of the debtor as secured creditors or in any other capacity must announce them to the Receivers within the same period.

An assembly of the creditors is convened for the day mentioned below. The creditors may examine the documents during the ten days immediately prior to the meeting of the assembly.

The receivers do not give any guarantee for the payment of debts contracted by the debtor during the stay of moratorium (LP, art. 295, 297, 300).

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## Third World wants 17 month MFA extension

By William Dufresne in Geneva

THIRD WORLD exporters have proposed that the Multi-Fibre Arrangement (MFA), which governs about half the \$100bn-a-year world trade in textiles and clothing, be extended for 17 months after it expires on July 31 this year.

The proposal came from the International Textiles and Clothing Bureau (ITCB), grouping 22 developing countries, as Gatt's textiles committee is due to convene tomorrow to discuss how to ensure continuity in trading conditions for textile products after July.

Uncertainty has prevailed since the Uruguay Round broke down in December. Disbanding the MFA, which submits a large part of textiles products trade to bilateral pacts between exporting and importing countries, was one of the Round's aims.

So far, attempts to agree how to handle the existing MFA after its expiry have failed. Seventeen ITCB members

have proposed the MFA be extended until the end of 1992 or until the date when results from the Round are implemented, whichever is earlier. Importers, especially the US, will find it hard to accept the conditions; that they be allowed to introduce no new curbs during the extension; prolongation or renegotiation of existing bilateral pacts may improve exporters' market access but should introduce no worsening of the terms now in place; and importers should not apply aggregate limits and regional quotas during the extension.

Officials said the first condition amounted to a freeze of the MFA, since it would make it impossible for importers to apply MFA "safeguard" provisions, allowing them to impose urgent import curbs.

The third condition is aimed at the US, which applies aggregate limits and the EC, which can impose regional quotas.

## Gatt urged to rule on slaughter of dolphins

ENVIRONMENTALISTS yesterday urged Gatt to pass a ruling to half commercial tuna fisherman from slaughtering dolphins, Rester reports from Geneva.

Their plea was made on the first day of an investigation by Gatt into a US ban on Mexican tuna imports. The US imposed the ban last October under legislation forbidding imports of tuna caught in nets which also kill dolphins.

A Gatt panel has started studying the Mexican complaint, which claims the US measure contravenes several Gatt provisions and has seriously affected the fishing industry, trade officials said.

Representatives of the World Wide Fund for Nature (WWF) and the Swiss environmental Bellerive Foundation said the Gatt ruling on the dispute

would have enormous implications for environmental protection issues.

The overriding question is if the conservation of an animal species or an ecosystem can counterbalance the demands for economic profit," they said. Purse seine nets, which encircle tuna with floats on top and weights on the bottom, had killed hundreds of thousands of dolphins in the eastern Pacific, the statement said.

Colour TV venture

A joint venture between Hitachi and China's Fujian Province aims to export colour TV sets to the Soviet Union, the first case of an electronics product made by a Japanese-Chinese company being exported there, Hitachi said.

Fujian, Hitachi Television was founded in 1981 and has been producing 14 and 21 inch-screen colour televisions in Fujian province at the rate of about 60,000 units a year.

## US, Japan to resume chip talks

By Louise Kehoe in San Francisco

US AND Japanese trade officials resume talks aimed at a new semiconductor trade agreement in Tokyo this week-end, as pressure grows for an accord to replace the five-year 1986 pact ending in July.

During marathon sessions in Washington last week and over the weekend, "progress was made", according to both US and Japanese observers, but some key issues remain.

The US is demanding Japan come at least 20 per cent of its \$20bn (\$22.3bn) semiconductor market to foreign chip suppliers. At present, according to US calculations, Japanese companies import only about 13 per cent of the semiconductor devices they consume.

Japanese negotiators are believed to have accepted US demands that the 20 per cent market figure be incorporated in a new trade agreement, but

differences remain on how market share should be measured.

In 1986, both countries agreed to use data collected by a US-based industry group affiliated with the US Semiconductor Industry Association. Japan now wants to alter the basis for market-share calculations to reflect sales of Japanese subsidiaries by US "captive" chip makers, such as International Business Machines, which makes semiconductor chips for use in its own products.

Also still to be resolved are some aspects of how the agreement should proscribe "dumping" of Japanese semiconductor products in the US and third-country markets. Progress has been made on how to monitor chip sales to ensure "dumping" is not occurring.

US sanctions, imposed

against Japan in 1987 in retaliation for its alleged failure to live up to the terms of the 1986 semiconductor trade pact, remain a point of contention.

The sanctions are largely symbolic in value, but have become a political embarrassment in Japan. Japanese negotiators have tried to make removal of the sanctions a condition of their agreeing to a new semiconductor trade pact. So far, the US has refused.

With both sides now agreeing their talks to date have been constructive, US semiconductor officials expect to see a swift resolution, perhaps over the weekend.

Early resolution of the chip issue would let the US Representative's chief negotiator focus on Structural Impediment talks, due to resume in Tokyo next week.

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Early resolution of the chip issue would let the US Representative's chief negotiator focus on Structural Impediment talks, due to resume in Tokyo next week.

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## UK NEWS

## US carrier seeks to impose deal on Heathrow staff

By Lisa Wood, Labour Staff

AMERICAN AIRLINES, the large US carrier, is seeking to impose new terms and conditions, including a longer working week, on the UK employees at Heathrow Airport of Trans World Airlines whose three main London routes it has acquired.

American Airlines, which takes over three TWA routes from the US to Heathrow on July 1 is insisting that 294 TWA staff who operate at Heathrow must sign new individual contracts to transfer employment. TWA is keeping on other UK staff.

The move, which includes an end to union recognition for the 294 workers, is being resisted by unions representing the maintenance, bag handling and passenger check-in staff.

Mr Gavin Laird, general secretary of the AEU engineering union, said that taken with the changes at Rolls Royce the new American Airlines contracts represented a "singularly unfortunate trend." Rolls-Royce plans to terminate the contracts of 34,000 workers in order to introduce a six-month pay freeze.

Mr Roger Buckley, a

national officer of the AEU accused American Airlines of making a "blatant attack on working conditions" of the TWA employees.

The contracts, he said, gave workers shorter holidays, and extended the working week from 38½ hours to 37½ hours. Some workers faced up to a one third reduction in their take home pay.

Mr Buckley said people who were being told by their trade unions to send letters to American Airlines accepting the jobs but repudiating the new conditions.

American Airlines said yesterday that about 97 per cent of the former TWA employees had signed the new contracts. A spokeswoman said people were not being forced to sign them. She said American Airlines, which has operated in the UK since 1982 wanted a happy workforce and had strong employee participation and team work.

She said the terms and conditions were very broadly similar to those of TWA although people were being asked to work slightly longer.

Michael Smith examines the background to Rolls-Royce's attempt to issue its staff with new contracts

**T**HIS WEEK'S startling decision by Rolls-Royce to terminate the contracts of all 34,000 employees in its aerospace division was aimed, in part, at preventing the company from being sued for breach of contract.

The company, whose chief executive is Sir Ralph Robins, said the move was necessary to impose a pay freeze, but it now faces the danger of a series of industrial tribunal cassas which, if successful, could produce a hefty compensation bill for unfair dismissal. It is even conceivable, though unlikely, that compensation would be more than the company will save by halting pay increments.

It was the desire to stop the payment of increments - made on the basis of age, length of service and technical competence - which prompted the company to terminate the contracts and replace them with similar ones.

Simply freezing cost-of-living rises would not require a change of contracts to be legally watertight.

Few employers in the private sector use increments to the same extent as Rolls-Royce. For this reason, Rolls-Royce's initiative - described by some unions as a mass sackings and neither employer took back all those dismissed.

Other employers have resorted to employ less drastic means to bring in new contracts. British Rail told 6,500



Sir Ralph Robins: Rolls-Royce says the imposition of new contracts was necessary to enforce a pay freeze

signals and telecommunications engineers this year that those who did not accept fresh contracts involving new working rosters could stay on old ones, but would not be eligible for promotion.

Rolls-Royce describes its initiative as a legal technicality and says it does not intend to lose any employees as a result.

The case that will have most influenced Rolls-Royce's legal advisers ended with a 1987 House of Lords ruling making clear that an employer cannot vary an employee's contract of employment unilaterally. This

followed a decision by Ferodo to cut employees' pay without what was considered the necessary consultation; the company had to pay back the lost earnings.

Rolls-Royce hopes to avoid a similar fate by giving notice to employees that it intends to terminate their contracts and offering them similar contracts, without guaranteed increments.

Some lawyers believe

unfair dismissal, arguing that neither they nor their unions had been consulted.

If successful, they could win the equivalent to redundancy payments of up to £3,600 for long-serving members of staff. One pay and an estimated yesterday that compensation claim could amount to tens of millions of pounds.

It is thought that about 40 per cent of the Rolls-Royce aerospace division's employees would have been entitled to increments and that the company has saved slightly less than £10m by freezing them.

The company could argue that the change in contract was merely a variance and that there were no dismissals. In its letter to employees, Rolls-Royce stresses that new conditions will be exactly the same as the old "except that your pay will be fixed at its present level and any terms in your present contract giving entitlements to an increase in pay will be excluded".

If the case were taken to industrial tribunals the company could also be expected to argue that the termination of contracts was necessary because of the business needs brought on by recession.

Labour lawyers believe that the unions would have a long and expensive fight to stand any chance of success, particularly if the new contracts vary only slightly from the old ones.

Mr Jeremy McMullen, a barrister specialising in labour law, said yesterday that the company had taken a sledgehammer to crack a nut. He said one of the motives could have been to create a softer negotiating climate for redundancies - Rolls-Royce plans to shed 6,000 jobs in the division this year.

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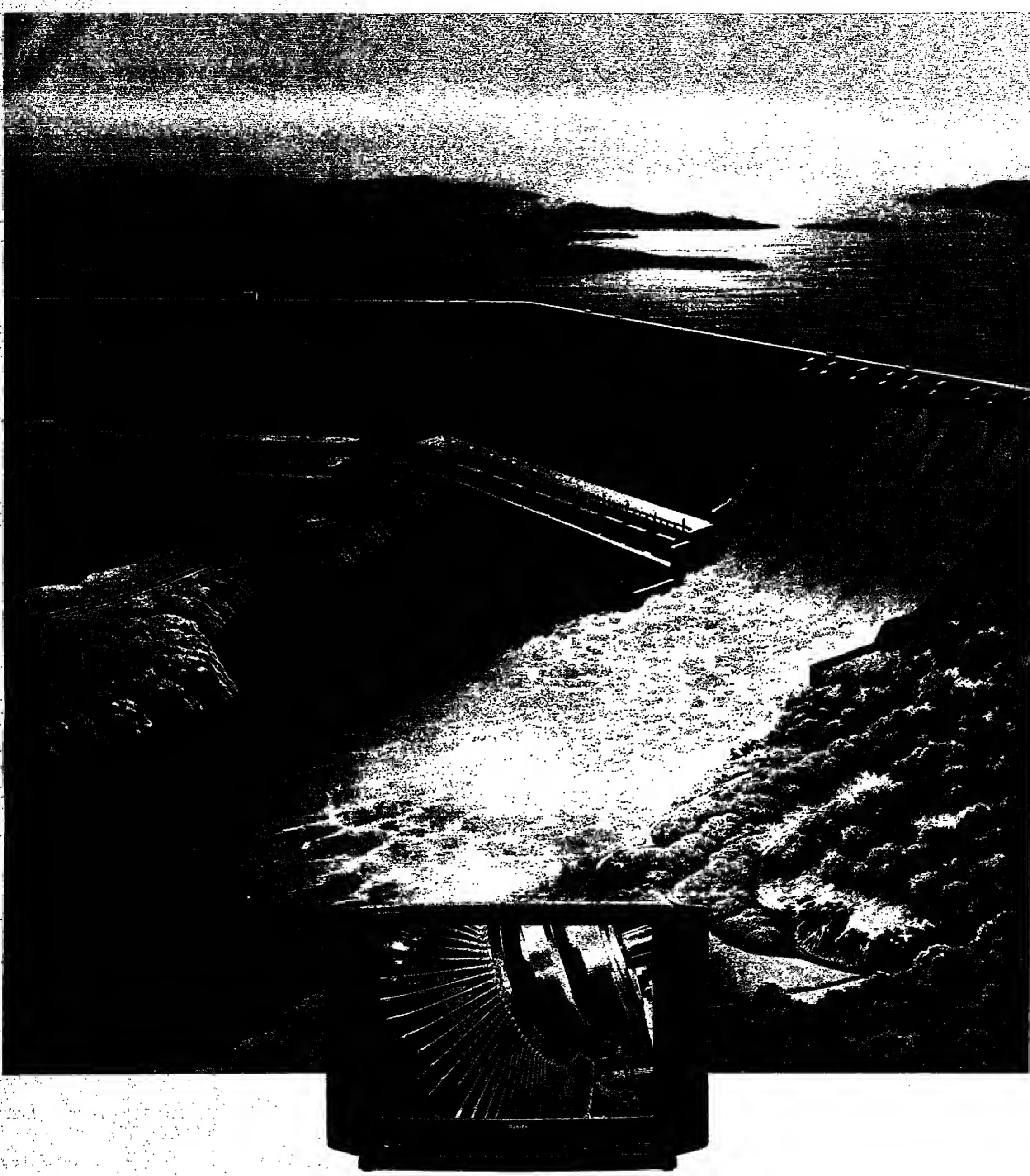
Stated Maturity of Bonds Called for Redemption:

11	884	1384	2721	3045	4343	5312	6125	7049	8049	9049	9728	10402	11042	11642	12242	12842	13442	14042
12	885	1385	2722	3046	4344	5313	6126	7050	8050	9050	9730	10403	11043	11643	12243	12843	13443	14043
13	886	1386	2722	3046	4345	5313	6126	7050	8050	9050	9730	10403	11043	11643	12243	12843	13443	14043
14	887	1387	2722	3046	4346	5314	6126	7050	8050	9050	9730	10403	11043	11643	12243	12843	13443	14043
15	888	1388	2722	3046	4347	5314	6126	7050	8050	9050	9730	10403	11043	11643	12243	12843	13443	14043
16	889	1389	2722	3046	4348	5314	6126	7050	8050	9050	9730	10403	11043	11643	12243	12843	13443	14043
17	890	1390	2722	3046	4349	5314	6126	7050	8050	9050	9730	10403	11043	11643	12243	12843	13443	14043
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19	892	1392	2722	3046	4351	5314	6126	7050	8050	9050	9730	10403	11043	11643	12243	12843	13443	14043
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## UK NEWS

## PM leaves options on Emu open

By Ralph Atkins

MR JOHN Major left open yesterday the option of Britain accepting the European Commission's proposals for a compromise treaty on economic and monetary union.

The prime minister neither rebuffed or welcomed the suggestion by Mr Jacques Delors, the commission's president for a treaty which the UK could sign while deferring a decision on whether to accept its eventual goals.

Mr Major, however, reiterated that Britain could not agree to a deal which would bind it to accepting a single currency without a "separate decision" by a future parliament.

His comments in the Commons underlined the government's belief that Mr Delors's concession is a step forward but that a large amount of work is required before a decision is made on whether proposed treaty changes were acceptable.

Mr Major told MPs: "We have made it quite plain to our European partners that we cannot accept any changes to the Treaty of Rome which would bind us to a single currency or a single monetary policy without a separate decision by the UK government and parliament."

The government still has many reservations about plans for EMU and political union – particularly on the shape of the new European central bank. Mr Major knows, too, that he has a difficult political operation to perform in averting a damaging split in the Conservative party over the issue.

Downing Street believes the Commission has recognised that the British will not have a single currency "imposed on them".

Labour opposition well placed to win key contest as general election fever continues

## Government braced for poll defeat

By Phillip Stephens, Political Editor



THE government faced a renewed onslaught over its national health service reforms yesterday as it braced itself for the possibility of a heavy defeat by the opposition Labour party in tomorrow's Monmouth by-election.

As the NHS dominated a day of angry exchanges in the House of Commons, Mr Neil Kinnock, the Labour leader, sought to taunt the prime minister for backing away from a June general election.

His attack came as a warning by Mr Robin Leigh-Pemberton, governor of the Bank of England, over the inflationary risk of rapid reductions in interest rates, heightened the concern of many Tory MPs about the impact of the economic recession.

Mr Chris Patten, the Conservative Party chairman, said the government's political fortunes would continue to

improve over the next few months as the economy recovered.

But many Tory MPs are now echoing industrial leaders in calling for a sharp reduction in interest rates.

Calling on Mr John Major to prevent any more National Health Service hospitals opting for trust status without a ballot of the local population, Mr Kinnock said: "What are you afraid of? Why are you always running away from the ballot box?"

An ICM opinion poll published in today's Daily Mail shows Labour with a commanding 10-point lead in Monmouth, in the Welsh border country. The poll suggests that controversy over the health service has been a central factor in eroding support for the Conservative candidate.

Mr Robin Cook, Labour's health spokesman, anticipated victory by declaring the by-election a "referendum" on the NHS reforms. He accused the government of creating a "two-tier" health service.

The exchanges came against the background of continuing

election fever which is undimmed by the now accepted wisdom that the general election will be delayed until the autumn at the earliest.

In one of his more confident performances of recent weeks, Mr Major responded to the Labour attacks with his own charge that Labour's spending policies would push up the taxes of every family in Britain.

The prime minister accused Mr Kinnock of advocating spending plans which would "not only penalise people on modest and average incomes, but every single taxpayer".

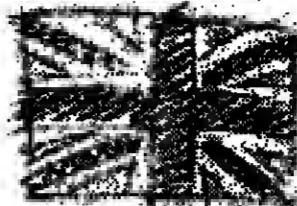
Mr William Waldegrave, the health secretary, accused Labour of being bereft of ideas on how to improve the NHS, adding that Mr Cook had demonstrated that it was more interested in "scaring than in accepting".

His ultimatum to unionist and nationalist leaders in Belfast came after a fifth day of negotiations aimed at finding an agreement on the venue for talks including the Dublin government.

Mr Brooke has proposed that talks on relations between north and south Ireland should start in London – perhaps with only a formal meeting. They would then continue in Northern Ireland before concluding in Dublin.

The success of his gamble depends critically on the reaction of unionist leaders.

## BRITAIN IN BRIEF



## Ultimatum issued on Ulster talks

Mr Peter Brooke, Northern Ireland secretary, has set out his own proposals for resolving the deadlock over the province's future – and said he could see no point in continuing if they were not accepted.

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## St Paul's to charge entrance fee

Tourists visiting St Paul's cathedral in London (above) are to be charged an admission fee for the first time. The move is intended to help off the cathedral's deficit which will this year exceed £400,000. The Very Reverend Eric Evans, the dean, said the charges were necessary to protect the "unforgettable experience" of a visit to Sir Christopher Wren's famed masterpiece. Worshipers entering the cathedral chapel will not be charged.

## Bank raids increase sharply

Raids on banks and home loans and savings institutions have almost doubled over the past four years to a total of 1,000 attacks in 1990, according to the Banking Insurance and Finance Union, which is concerned about the security of its members.

Between four and seven office raids take place every working day, the union estimates, with a concentration of attacks in London, Manchester, Birmingham, Avon, and Tyne and Wear.

Nearly all the raids are said to be carried out by a gang of robbers. The success of his gamble depends critically on the reaction of unionist leaders.

## Granada faces franchise bid

Granada Television, one of the most famous names in British broadcasting, is to face a serious challenge for its franchise when the deadline for bids closes today.

On the eve of the bidding it became clear that Granada is going to face opposition from a consortium that includes two fellow northern ITV companies Yorkshire Tees.

The consortium has been put together by Mr. Phil Redmond, creator of the television series *Grange Hill*, whose Mersey Television production company produces the drama *Brookside* for Channel 4. The bid is also being backed by Barclays Trust International, Trinity International Holdings, the newspaper publishing and printing group and the investment capital group.

## Study says spill effect limited

A spillage of 150 tons of crude oil into the River Mersey from a fractured Shell pipeline in August 1989 did no lasting environmental damage, according to an independent group studying the aftermath.

The spillage cost Shell a total of £7.1m, it was revealed yesterday, including a £1m fine by Liverpool Crown Court last year. The company has also paid £200,000 to fund the study group.

The company has paid £1.4m on the clean-up, operation £2.5m on replacing half the pipeline which fractured, and £2m on sophisticated monitoring equipment to spot future problems in advance.

## Bond 'doomed to failure'

The four main shareholders in British Satellite Broadcasting (BSB) argued in the High Court that a damages claim against them by Bond Corporation Holdings, the flagship of Mr Alan Bond, the Australian entrepreneur, was "manifestly doomed to fail".

Mr David Oliver QC, for Granada Group, Pearson (owner of the Financial Times), Reed International and Chargeurs, said Mr Justice Farman to strike the claim out on the ground that it disclosed no cause of action.

The claim relates to attempts by Bond last year to sell its stake in BSB with the benefit to any purchaser of a rights issue that formed part of an agreement for the refinancing of BSB in February last year. The case continues.

## Power unions reject pay deal

The threat of industrial action in the power industry was renewed when members of the two largest unions rejected an 8.8 per cent pay offer described by employers as final.

Members of the EETPU electricians' union voted by 13,205 to 10,460 against the offer while members of the AEU engineering union were reported to have voted by 2,1 in ballots which were being counted yesterday.

Mr Doug Rooney, the AGU's national negotiating officer for the power industry said his membership had "convincingly" turned down the proposed deal. He said:

"We are on course to vote for industrial action in order to secure a double figure increase."

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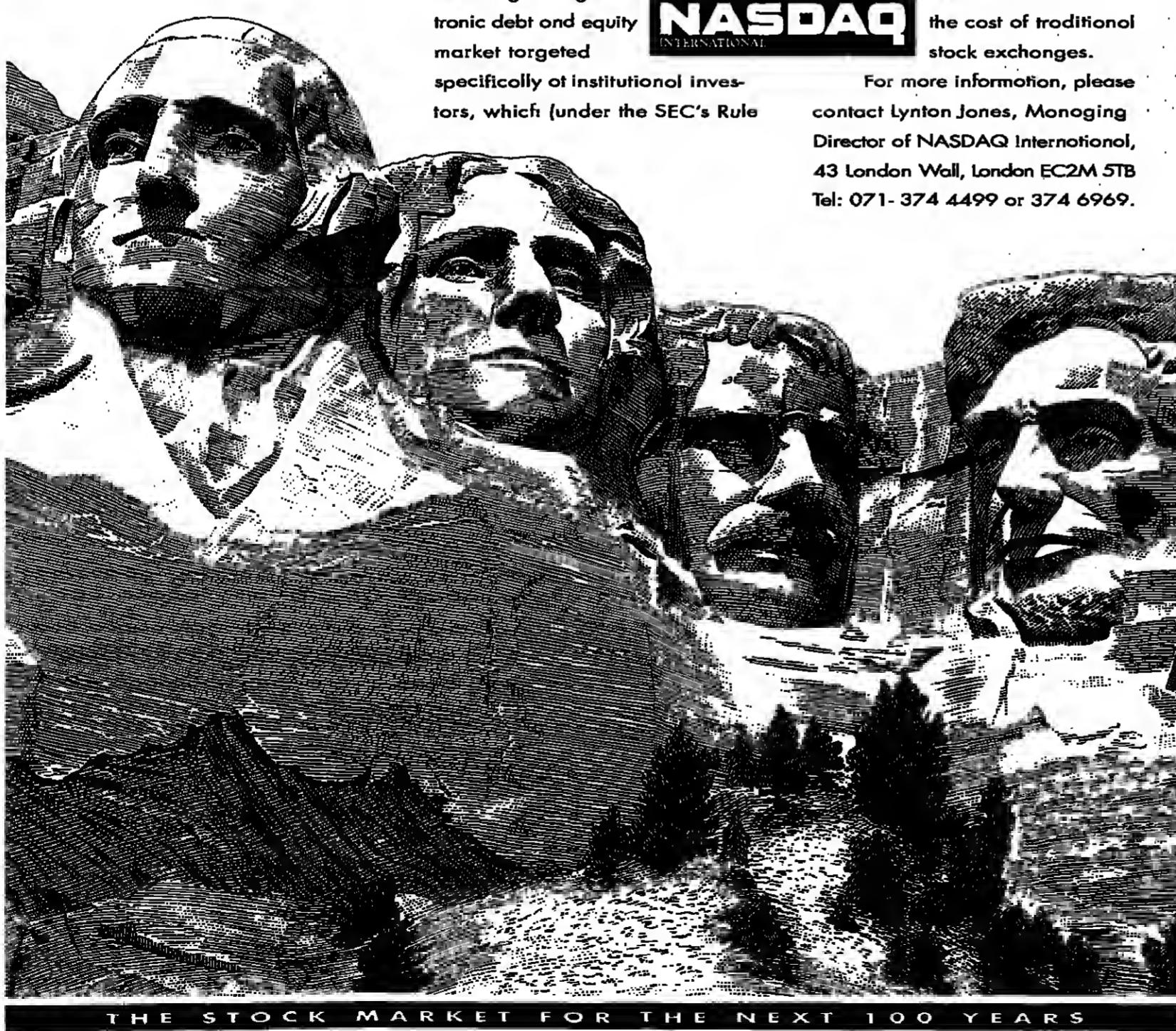
14a) imposes minimal disclosure requirements on issuing companies.

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## MANAGEMENT

## When the colonial glory wears off

David Lascelles on the problems facing Standard Chartered

**A**nyone curious about Standard Chartered's origins need only visit the lobby of its City of London headquarters. The walls are covered in old photographs of the bank's branches in colonial times. Victorian piles in places like Shanghai, Kuala Lumpur and Delhi, a shack in the Kenyan highlands, even a tent in the African outback.

But the pictures will shortly be gone. "They no longer fit the image," says an executive. Few UK banks have had to undergo as wrenching a transformation as Standard Chartered; but management is struggling to shake off old-fashioned attitudes. The questions are: Has Standard Chartered left it too late? and can it still make a virtue of its unique geographical presence?

The recent omens have not been encouraging. Profits in the past two years have been poor, hit by a string of bad debts and problem Third World loans. Last year, the bank had to cut its dividend. But executives insist that appearances belie profound changes which will shortly yield results.

The recovery strategy is being directed by Rodney Galpin, a former Bank of England official who took over the chairmanship two and a half years ago.

The bank had been rocked by a succession of crises following Lloyds' unsuccessful bid in 1986. When he arrived, Galpin had the option of applying radical surgery to the group and reshaping its network for post-colonial times. But instead, he decided to preserve the basic structures because many were strong franchises in promising markets. He also wanted to get the bank back to basics, and instil a tougher and more businesslike attitude.

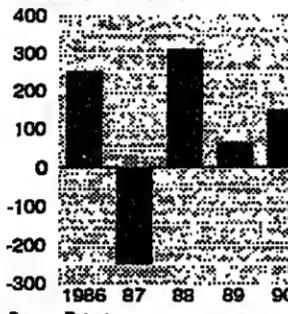
Standard Chartered differs from other international banks in that its foreign operations are part of the local scene. In dozens of countries in Africa, Asia and the Far East, Standard Chartered provides retail banking services. The issue is not so much whether these operations amount to a balanced global network but whether the individual mar-



Rodney Galpin (left) and David Moir: potential in Asia Pacific

### Standard Chartered

Pre-tax profits (£m)



kers offer the right prospects. Galpin believes they do. In Africa conditions may be subject to the vagaries of local economies and politicians. But Standard's African business produces a steady stream of profits. There is a similar story in the Middle East and South Asia, though the Gulf war caused major disruptions.

The strongest part of the group is the Asia Pacific region which contributed over 80 per cent of last year's trading profit of £183m. This includes the flagship operation in Hong Kong where Standard Chartered started in 1859 and where it is now one of the two note-issuing banks with 115 branches. But there are also sizeable operations in fast-growing countries like Singapore and Malaysia, and even China where Standard has 10 offices and branches - the largest of any foreign bank.

David Moir, who holds the new post of chief executive of the Asia Pacific region, says: "There is enormous potential for Standard Chartered to increase its business base in

the Asia Pacific." This will be particularly true if markets like Korea and Taiwan become more open to foreign banks.

To realise this promise Standard is having to overcome conspicuous recent failings: complacency which caused it to miss much of the region's dramatic growth, and poor credit controls which brought heavy losses in the Far East, the US and Australia.

Moir wants Standard to become the most profitable bank everywhere it operates. This has required far-reaching management changes. Marketing-oriented bankers from the US have been hired to attack the retail market. Branches have been revamped and equipped with new technology. Unprofitable customers have been dropped, and corporate lending has been refined in where margins were too narrow. More is being made of fee-earning services. New manage-

ment information systems have revealed where the bank is and is not making money.

But running what amounts to a string of separate branch banking operations in different countries requires intensive management. In Malaysia Standard shares what amounts to a local monopoly because no new foreign banks are being admitted and its 35-branch operation is among its most profitable. Alternatively, the authorities will not permit it to open new branches, and the regulatory climate favours domestic banks.

There is also a dichotomy about Hong Kong. It is Standard's largest profit-earner in the Far East and there are few regulatory constraints. But the transfer to China in 1997 poses a serious question mark over long-term prospects.

In the longer term Standard Chartered may also have to address the imbalance of a group which has its headquarters in London and the bulk of its operations abroad. Standard does not earn enough taxable profit in the UK to obtain full relief for all the taxes it pays elsewhere. It might make more sense to relocate - possibly to Singapore.

But Galpin sees this imbalance as "an opportunity", and he is keen for the bank to remain London-based. Once Standard has recovered its strength, he sees it expanding its UK operations, possibly through acquisition. The European end of the group has already been reorganised. Many UK branches have been closed; and its continental operations were sold last year to Westdeutsche Landesbank, with which Standard formed a joint merchant bank.

The culture of Standard Chartered is clearly changing. Galpin's decision to move its Bishopsgate headquarters to more workmanlike surroundings off London Wall last year was evidence of that. But its competitors are still sceptical.

"Occasionally they show bursts of marketing enthusiasm," says a leading competitor in the Far East. "But I can remember when they were stronger competition."

Many people in Standard Chartered would probably agree that the bank has seen more glorious days. But they prefer not to dwell on that. This is a time for making money, not waving flags. "Over the past six months, I have had a growing conviction that we're doing the right thing," says Galpin.

Previous articles in this series appeared on April 19 and 23.

## Slow to capitalise on a valuable franchise

It is 8pm in Petaling Jaya, a sweltering suburb of Kuala Lumpur, and the local Standard Chartered branch is closing its doors for the day. It could be any British high street branch with its rows of tellers serving lines of customers. Upstairs, account officers deal with business clients and process letters of credit.

Nur Baiti Abdul Razak, the sales and services manager, points out that opening time has been brought forward to 9.30 am. The extra half hour is to meet competition down the road, she says. The branch also has a special new counter for clients needing personal attention and advice - all part of Standard Chartered's drive to sell more products.

Two thousand miles away in Hong Kong, Amanda Yu is making a similar push for business in Standard Chartered's Causeway Bay branch. The freshly renovated banking hall is gleaming with the bank's white, blue and green livery. On the wall is a graph showing the branch's performance against the year's targets. It's not doing badly.

Why did she choose to work for Standard Chartered when there are so many banks in Hong Kong? "It's a big name," she exclaims.

Standard Chartered is a household word through most of the Far East. But it has been slow to capitalise on its potentially valuable franchise. In the mid-1980s it still had only one branch in Hong Kong, and the manager refused a request to open a branch in Kowloon because in his view the customers should come to the bank, not the other way round.

Today, the bank is marketing its services aggressively, using US expertise. Jim Allinson, who heads Hong Kong retail banking, was trained at Procter & Gamble, and was president of the Midwest division of Household Bank before joining Standard Chartered. He recognises the bank's past failings. "But we want to be known as the bank that's getting better," he says.

## Corporate alliances

### Equal partnerships stand a better chance of success

Guy de Jonquieres reports on cross-border relationships

Failures also occurred when partners were financially weak, lacked the required functional strengths or had incompatible corporate cultures and strategic goals.

Joint ventures could be wrecked if the profit expectations of its owners differ widely.

According to David Ernst, one of the McKinsey consultants working on the project, one of the first points to be grasped when negotiating alliances is that most have a limited life because they are usually formed for quite specific purposes. To survive beyond their typical seven-to-10 year lifespan, their scope and objectives must be broadened.

#### Firm intention is to buy out partner

Companies should decide at the outset whether they want to end up as the "buyer" or the "seller" of a partnership and shape their approach to structuring and managing it accordingly.

Of 16 terminated alliances studied, more than three quarters were purchased by one partner, while the rest were either sold to a third party or dissolved.

McKinsey finds that most Japanese companies enter international alliances, expecting them to last for less than 10 years, and with the firm intention of buying out their partners. But western companies are less clear about their ultimate objectives and often end up being bought out by Japanese partners.

Ernst also emphasises that because alliances must meet the interests of separate companies, there are inherently more unstable than acquisitions. Getting them right requires substantial investments of top management time.

McKinsey has identified a number of basic ground rules to be observed when embarking on cross-border partnerships. They include:

• Do not attempt to negotiate the financing and control of a proposed alliance until its

business logic has been fully agreed. Recognising over price should be left until last, because it is an adversarial exercise which inhibits companies from sharing information.

• Aim for 50/50 ownership, wherever possible, to ensure that both partners are fully committed. Of the joint ventures studied, 56 per cent succeeded when ownership was equally divided, compared with only a third of those with an uneven shareholding split.

• However, even where ownership is equally divided, one partner should be clearly responsible for ultimate management control. The McKinsey study found no instances of a successful joint venture where management control was shared evenly between the owners.

Conflicts should be channelled through a strong chief executive in the joint venture, with considerable operating autonomy. Joint ventures should also have strong boards, able to insulate them from conflicts between their parents.

• Recognise that teething troubles are likely, usually in the first two years. Typically they include reluctance by lower-level managers to contribute to an alliance; differences over internal transfer pricing policies and poor communications between product development staff in one partner and marketing staff in another.

• Set up effective mechanisms for resolving conflicts from the outset. These will often require direct involvement by chief executives of the partner companies, who should be prepared to devote considerable time to ensuring that co-operation develops smoothly.

That underlines the study's central finding - that alliances depend on the degree of commitment by the partners to making them work. Those which meet their goals do so because both sides derive benefits from them. "Very few deals end in success for one partner and failure for the other," says Ernst.

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## BUSINESS AND THE ENVIRONMENT

## UK takes the show to Japan

The Japanese are studying a successful UK scheme which encourages business to work with government and local communities to rehabilitate industrial waste lands.

At the end of this month a delegation from the Groundwork Foundation, a Birmingham-based charity, begins a two-week tour of Japan as guests of the Centre for Environmental Information Science in Tokyo.

The Japanese are interested to hear more about our efforts. We are keen to understand better the Japanese environmental problems and how they are tackling them. We will also find out if we can be of help to them," says John Davidson, Groundwork's chief executive.

The charity was set up in 1981 by Michael Heseltine, the UK environment secretary, during his first stint in the job. It was founded on the principle that such groups should have an entrepreneurial structure and spirit.

Groundwork has been involved in thousands of successful projects over the past 10 years. The scale of its activities ranges from helping young people clear fly-tipping from a Manchester council estate to the establishment of a commercial trout fishery in a worked-out colliery alongside polluted land near Liverpool.

All of the projects involve a partnership of local business, government bodies and voluntary groups. Groundwork operates as a consultancy to co-ordinate the various parties.

While local and central government provides most of the money to fund the projects, industry plays an important role by providing equipment and resources. IBM has installed computers to make Groundwork's administration more efficient. Companies such as Esso, NatWest, British Gas, Ciba Geigy, Shell, Pilkington and Marks and Spencer have provided staff on secondment.

Groundwork's success in the UK is now being duplicated on the Continent with projects set up in France and the Netherlands. The Japanese are hoping to establish a Groundwork pilot project by 1994.

Peter Knight

**L**awyers have never been popular figures. Rightly or wrongly they are perceived as making a living out of other people's problems.

In the United States, where a national environmental clean-up programme, known as Superfund, has just celebrated its 10th birthday, environmental lawyers are finding themselves accused of cashing in on the country's pollution problems.

Superfund was set up under the 1980 Comprehensive Environmental Response, Compensation and Liability Act. The programme is designed to identify and organise the clean-up of thousands of toxic waste sites across America and to recoup the cost from industrial polluters.

As the programme was to be implemented, US industry has started to complain vociferously about having to meet the burgeoning costs of cleaning up the mistakes of previous generations.

Together with the insurance industry it is lobbying Congress for a change in the basis of Superfund liability. And in an attempt to win popular support for its campaign it has decided to attack the only group which appears to be making money out of the drive to clean up corporate America.

The lawyers. The campaign message is blunt: "Somebody's cleaning up, but it's not the environment."

There is no doubt that environmental law is now big business. Law firms, never slow to spot the chance to make a fast fee, have seized the opportunity offered by the rise in environmental issues with both hands.

Jim Rogers, partner at US law firm Skadden Arps Slate Meagher & Flom, has been practising environmental law since the early 1970s. When it first became recognised as a separate discipline, he says, you could put all the environmental lawyers in America into a small hotel ballroom.

Twenty years on, more than 22,000 lawyers are registered with the American Bar Association's environmental law specialists. The big surge in their number came in 1985 as Superfund began to increase significantly the number of sites requiring clean-up. Law firms which had one or two environmental lawyers suddenly had 10 or 20.

Between 1980 and 1984 the Superfund legislation had little impact. But by 1985 the staff to run the US Environmental Protection Agency and the regulations to drive the Superfund

Robert Rice describes how lawyers are capitalising on environmental legislation

## A very profitable practice

programme were in place. Industry suddenly woke up to the realisation that it could easily find itself on the wrong side of a multi-million dollar clean-up bill.

Cautionary tales have by now become common place. In 1988 Occidental Chemical, a subsidiary of the oil giant, was ordered to pay the \$250m clean-up costs of a toxic landfill site in New York state which had been used by Hooker Chemicals and Plastics during the 1940s and 1950s to dump dioxins, even though it did not take over the Hooker Corporation until the 1960s.

The EPA is currently trying to fine General Electric to pay the \$280m cost of dredging 500,000 pounds of PCBs which the company dumped in the Hudson River between 1945 and 1977.

Faced with costs like these industry has begun to look for more and more parties to share the financial burden.

The Superfund legislation

gives the US government the right to force all potentially responsible parties (PRPs) to pay for the clean-up of contaminated sites. PRPs include the

current toxic site owners, past owners and anyone who has generated or transported waste to a selected disposal site. There can be hundreds of PRPs for one site.

Large corporations targeted by the EPA have begun to launch a series of third-party actions against smaller PRPs, such as municipal authorities and smaller businesses which have sent domestic waste to sites already contaminated by factors' waste.

In California, for example, officials from 29 cities are currently fighting a lawsuit by oil and chemical companies that want them to pay as much as 90 per cent of the \$300m clean-up costs for contaminated sites near Los Angeles.

Superfund has only just begun to scratch the surface of the clean-up problem. Of the 1,226 contaminated sites placed on the Superfund national priority list, clean-up has been completed at 63. Only 29 sites as the long-term effectiveness of the work has been verified.

The pace of the Superfund programme is picking up, however. Emergency action to

remove immediate threats has been taken at 423 sites. Investigation is under way at 504 sites and clean-up work under way at 271.

But as chemical analysis becomes more sophisticated pollution is being detected in ever smaller amounts. The consequence is that 31,004 sites have now been identified for possible inclusion on the Superfund priority list and more are bound to follow.

In the UK, the increase in the number of environmental lawyers has been no less dramatic. In 1989, when two academics, Andrew Waite, now with City solicitors Linklaters & Paines, and Stephen Trowman, now with City Solicitors Simmons & Simmons, started the UK Environmental Lawyers' Association it had just 47

members, most of them fellow

academics. By March 1990

membership had risen to 600

and today it stands at more than 1,100, 95 per cent of whom

are in private practice.

Many of those claiming to be environmental lawyers are

planning lawyers or conveyancers or company lawyers

wearing a different hat but

offering the same advice. The

volume of genuine environ-

mental work is small except

for firms with long-established

clients in the energy, water

and waste disposal fields.

The regulatory work is

burdened, however,

and much of the impetus will

come from Europe. The draft

Civil Liability for Waste direc-

tive, which threatens a regime

for Europe not dissimilar to

Superfund in the US, is locked

in a battle between the Euro-

pean Parliament and the Euro-

pean Commission, but must

become law eventually.

There is a draft Landfill

directive governing the control

and monitoring of toxic waste

sites which should be adopted

shortly. Registers of contam-

inated land are to be compiled

in the UK. Part I of the Envi-

ronmental Protection Act is

being phased in from April.

With regulations covering increasingly com-

plex issues, he said the firm sees advantages in

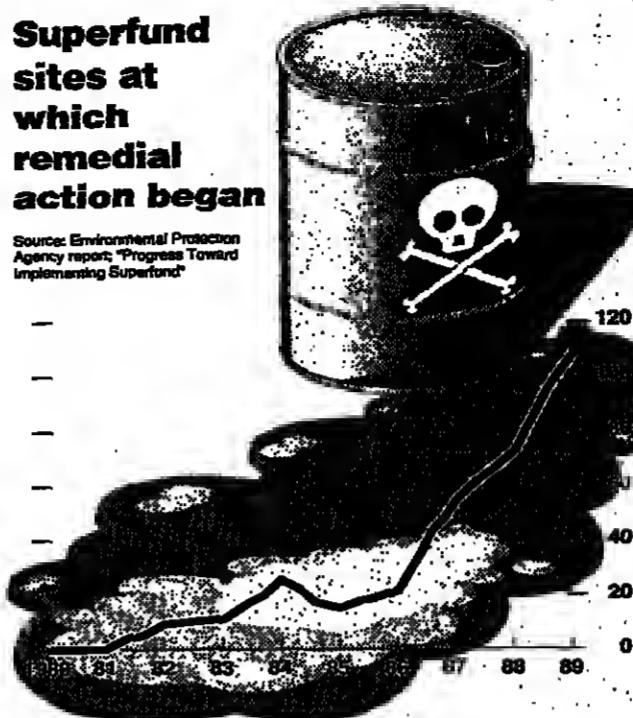
joining ICCET's "rigorous academic excel-

lence and legal training in environmental sci-

ence and technology".

### Superfund sites at which remedial action began

Source: Environmental Protection Agency report: "Progress Toward Implementing Superfund"



## Green threads at John Heathcoat

By Alice Rawsthorn

Ever since 1808 when its founder fled from the Luddite gangs in Nottingham, John Heathcoat has been manufacturing textiles from a mill in the picturesque town of Tiverton on the River Exe in Devon.

A few years ago the local community became concerned about the coloured effluent being discharged by Heathcoat from its dyehouse into the Exe. The company has since invested £500,000 in a precipitation treatment plant to ensure the effluent is treated before it

is released into the river.

So far the new plant has been working reasonably well, although Heathcoat is making some modifications which will cost at least another £200,000. The bottom line is that Heathcoat, a small private company, is incurring substantial costs in its efforts to become environmentally responsible.

Heathcoat is one of the growing number of textile companies investing heavily to make its production process less damaging to the environment. As the level of environmental regulation increases, so will the cost of compliance. A new report from the Economist Intelligence Unit (EIU) suggests this will create a major challenge for the international textile industry in the 1990s.

Textiles, like every other sector of manufacturing, is under pressure on the environmental front to be more economical in its use of water and energy. However, the industry also faces particular problems in the areas of fibre processing, dyeing and finishing.

Perhaps perversely the problems in processing are concentrated among the natural fibres, such as wool and cotton, which are bio-degradable and generally seen as environmentally "friendly", rather than on man-made fibres, like acrylic and polyester.

The cleaning and de-greasing of wool involves the release of damaging waste substances.

The washing of cotton involves using aqueous alkalis or solvent de-waxing. By contrast acrylic fibres are produced from a concentrated solution of polymers in a recyclable solvent. Polyester and polyamide fibres are melt-spun, so no effluent is produced.

Dyeing also poses problems. Soluble dyes and toxic substances from dye auxiliaries tend to pollute waste water. The red dyes in the effluent from John Heathcoat were so strong that they coloured the water in the River Exe Oily, the Dutch children's wear manufacturer, has already started using natural dyes made from flowers and berries. Ciba Geigy, the Swiss chemicals group, has withdrawn a number of its dyes from the market.

In recent years the textile industry in North America and Europe has faced mounting restrictions concerning the use of pollutants in the production process. This has inevitably imposed higher costs on manufacturers. As the level of regulation increases, the costs could become even higher.

One of the chief concerns of North American and European textile companies is that, if the level of environmental regulation continues to increase, they could become less competitive against their Third World counterparts benefiting from lower costs in a less regulated environment.

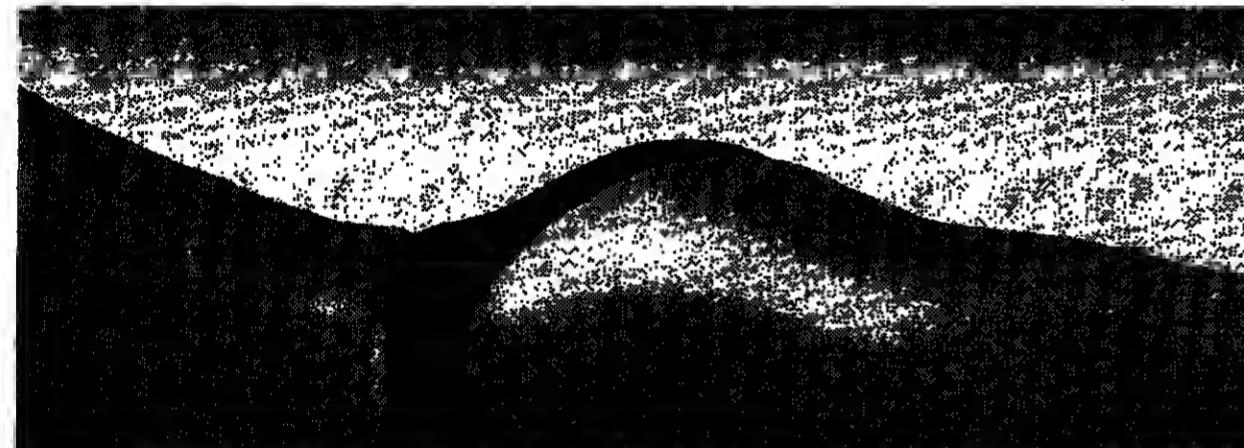
There is already evidence of some companies withdrawing from certain sectors of textile production because of higher costs. One US group recently pulled out of viscose because of the cost of complying with the Environmental Protection Agency's guidelines.

In the longer term higher costs could prompt companies to transfer production to lightly regulated countries. A number of Hong Kong textile companies have moved production to China and have cited environmental regulation as one of the reasons for the change.

The EIU suggests this problem could be alleviated if responsibility for environmental regulation applied to retailers - who would have a "duty of care" to ensure that their merchandise has been manufactured in an environmentally responsible way - as well as to manufacturers.

"Textiles and the Environment," published by the Economist Intelligence Unit, 40 Duke Street, London W1A 1DW. Price £12.50.

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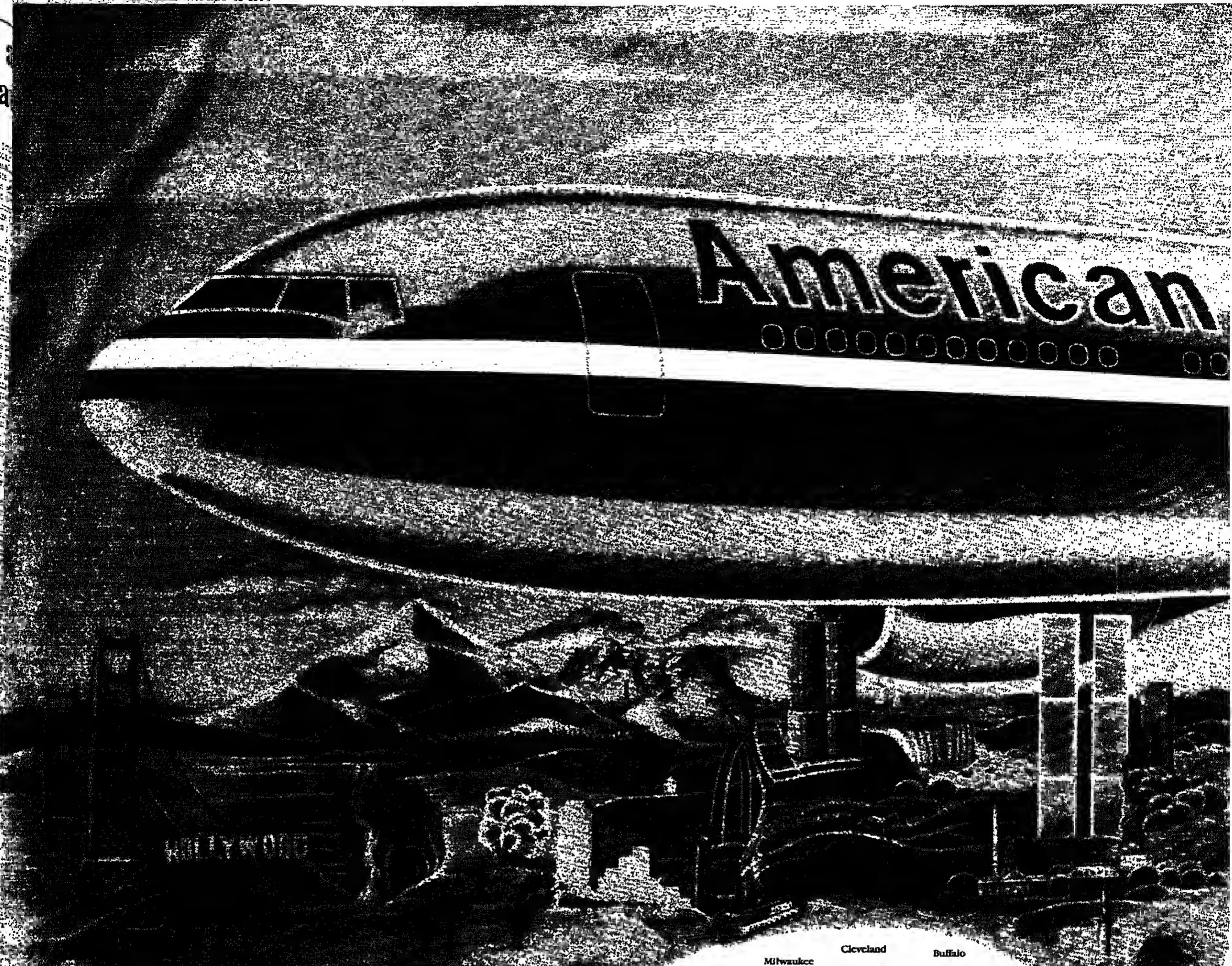
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Chicago	09:55	13:00	87	2 July 1991
Chicago	13:45	16:25	47	2 July 1991
Los Angeles	10:30	14:30	137	21 July 1991
Miami	10:00	15:10	57	2 July 1991
Newark, NJ	11:00	14:25	115	2 July 1991
New York (JFK)	09:00	11:50	101	2 July 1991
New York (JFK)	11:30	14:20	105	2 July 1991
New York (JFK)	18:00	21:00	107	2 July 1991
<b>From: Gatwick</b>				
To: Chicago	10:05	13:20	87	13 June 1991*
Chicago	13:25	16:40	47	2 June 1991*
Dallas/Fort Worth	10:40	14:50	51	Current
Dallas/Fort Worth	13:00	17:25	79	Current
Miami	10:00	15:05	57	Current
New York (JFK)	12:15	15:15	7	21 July 1991
<b>From: Manchester</b>				
To: Chicago	10:25	13:00	55	Current
New York (JFK)	12:00	15:00	93	2 July 1991
<b>From: Glasgow</b>				
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## ARTS

# Gingerly, the sun comes out in Cannes

The last shot of Akira Kurosawa's new film *Rhapsody In August* shows an old Japanese woman struggling through wind and rain holding high a broken umbrella. We at Cannes 1991 know how she feels. We have breached the frostiest weather seen in these parts since the great flood. Critics have entered the Ark of the festival palace two by two, in order to stay upright on so state-battered balconies. Out on the streets, wading through puddles, we hold high our wet programmes.

The international jury president Roman Polanski instructed his team, including Whoopi Goldberg and Alan Alda, to judge every film on its intrinsic value. The precept will make life hangily uncertain. First two days of the festival: no entertainment at all. In the giant Lumière Théâtre 1500 soaked film-viewers watched Karen Chakhnazarov's *Assassin Of The Tsar*, a muddily-hued Russian talk-piece with Malcolm McDowell as a schizophrenic who thinks he killed Nicholas II; Petreik Bonchitch's *Cold Moon*, a French buddy film of connoisseurship; and Werner Schroeter's *Malina*, in which Isa-

belle Huppert plays a manic depressive whose life is falling apart in much the same way as the film.

Then, gingerly, the sun came out and so did the films. The largest crowds swelled at the foot of the steps to the Salle Debussy, home to Cannes' counter-culture event, the Directors' Fortnight. This kicked off with a sly Australian melodrama called *Proof* and then mounted a lively goathorn attack with America's *Paris Trout*. Grand old America's Hippie Dennis Hopper arrived to introduce this controversial murder thriller, in which he plays a Southern bigot fond of shooting black women and abusing his wife Barbara Hershey. Steven Soderbergh's directing debut is moody, nasty, elegant though more work might have been done in the motivation department.

Rock in the Lumière, wonders began to start. Kurosawa's *Rhapsody In August* is a tender tragicomedy about a Japanese family hamstrung by memories of Nagasaki. Like the water snake that thrashes towards the four young children in one picnic-by-a-waterfall scene, the past has a venomous hidden life. The film is about tensions between

generations and nations - Richard Gere floats through as an American uncle - and its plain, domestic mise-en-scène makes doubly effective the outbreaks of surrealism. A giant celestial eye opening in an atom-bomb burst; two lightning-blasted trees haloed in a forest clearing, like ghostly lovers.

But the early Golders' Palm favourite is a Danish-German-Swedish co-production called *Europe*. What sounds like a recipe for a nightmare Euro-pudding, mixed-neon actors teaming in a tale of postwar chaos set in 1948 Germany - turns out to be a sumptuous smorgasbord of style.

Writer-director Lars Von Trier made the Bergsonian thriller *The Element Of Crime* earlier this year.

Cannes in 1991. This is madder and more magnificent. An innocent American (Jean-Marc Barr) takes a railway job in a Europe trying to reconstruct itself. But recent German guilt weave shadow-patterns and weird chromaticisms in hero's mind and movie's images. Flecks of colour spatter the dominant monochrome; rearing crane-shots defying gravity and ceilings; multi-projector techniques show characters

speaking to filmed images of their companions; and exteriors are a blitzkrieg'd wonderland of rubble and girders, pockmarked mansions and reeling monuments. In the anniversary year of *Citizen Kane*, Von Trier has rediscovered some of the visual conjuring tricks that made Welles' film so exciting.

Britain, which bowed out late from the Competition by withdrawing Peter Greenaway's *Prospero's Books* (work is still in progress), displayed two eye-catching films in sidebar events. *Young Sir Rebels* is like a fairground whirling fairground; a tale of ethnic London shot in rainbow lines, in which two young black DJ fight racism with fistfights and a mystery killer. One of the DJs is a gay man, in hanging the startlingly could love scenes. The British Film Institute, who produced the film, also unleashed the recent, uncut *In The Realm Of The Senses*. Are they now our leading crusader against Aunt Edna?

More sex, this time incestuous, in Stephen Poliakoff's Channel 4-produced *Close My Eyes*. Saska Reeves and Clive Owen are the love-torn siblings in Poliakoff's best film to date, scripted with the diamond

obliquity of Plater and graced with a wickedly funny performance by Alan Rickman as Reeve's languid hubby.

All that is now missing at Cannes is the annual convoy of major American stars plus major American films. Gulf War nerves are said to have caused the absence of any top Hollywood movie in the competition. Only US entry seen by me to date: Irvin Winkler's *Guilty By Suspicion*. Here a curvy-headed Robert De Niro plays the McCarthy-watched victim in a drama about the Un-American Activities track-down in 1950s Hollywood. Alas, a firecracker subject is treated with damp reverence, more like a TV problem than a movie film.

Still in progress, *Shame* by David Mamet and Spike Lee. But few front-of-camera movie *glitterati* seem likely to arrive this year to have the flashbulb-and-red-carpet treatment. As compensation a famous blonde singer is cutting a celebrity swathe through town, promoting her feature documentary *In Bed With Madonna*. More when I have bumped into it and/or her.

Nigel Andrews



Mad and magnificent: scene from Lars Von Trier's 'Europea'

## TELEVISION

## Uncivil wars

At the beginning of last week's episode in Channel 4's six-part series *Civil War*, about the events in 17th century Britain, historian Richard Holmes said: "I think it's easy to get at least a feel for the reality of 20th century war. After all, our fathers, perhaps, fought in the Second World War, our grandfathers in the First, and there's an abundance of diaries, memoirs, film, photographs... so we can begin to grasp the experience of battle. But when you go back to the 17th century it's awfully easy to get hooked on the inessentials: to see figures in bucket-top boots and plumed hats, and not to get beyond that... to let the romanticism and veneer conceal from us the dreadful realities of what went on in the smoky and dangerous and terrifying world of 17th century battle".

It is a persuasive and in some respects convincing argument. Yet even though Holmes was speaking for the camera of television producer Taylor Downing, I suspect he was doing so in a pre-television frame of mind. Whatever the people in dusty rooms at Pembroke or St Catherine's may believe, television is changing history, or anyway our perceptions of history, because of the manner in which it is able to convey it. It is probably changing the number of people who take an interest in history, too, and, most radically of all, the heritage we shall pass to our children and grandchildren. But we shall return to that.

By chance Channel 4's series about the British civil war has coincided with BBC2's screening of *The Civil War*, about the American event in the 1860s. The differences have been striking. The American series has looked just about the simplest form of documentary imaginable; historians speak to camera, and we see maps and drawings interspersed with stills of footage showing the countryside - and sometimes the towns which 130 years ago were the battlefields. American folk songs have been used as connecting ribbon throughout.

The great strength of this series, however, comes from the photographs. The Victorians were not only enthusiastic photographers, they used processes producing inherently beautiful objects (many of which, incidentally, will last much longer than today's snaps thanks to the high silver content in 19th century prints) and the series exploits them admirably. Confederates and Unionists alike gaze out at us, usually with serious expressions, somehow made more poignant by the sepia tint with all its associations. Readings from letters or diaries often accompany the pictures.

The habit of starting such sequences with a closeup on the soldier's belted uniform and panning slowly up to the

face is irritating, but the power emanating by Holmes emanating from this contemporary material is undeniable. Obviously no photography was possible during the British civil war, and according to the Holmes thesis it should be far more difficult for television to convey the experience of that event. Yet, thanks to Downing and director David Edgar, a remarkably vivid impression has been achieved.

Once again we have film footage, this time showing the countryside around Edgehill or Marston Moor as it is today, and where the Americans had their many photographs there are occasional oil paintings, especially of the royalists. But the "smoky, dangerous, and terrifying world of 17th century battle" comes across graphically via film of (presumably) those societies which exist to dress up and re-fight the battles of the civil war. Those pictures, combined with a good verbal description of exactly how nasty it was to participate in a fight with pikes, leaves the viewer with a pretty clear idea of what it must have been like.

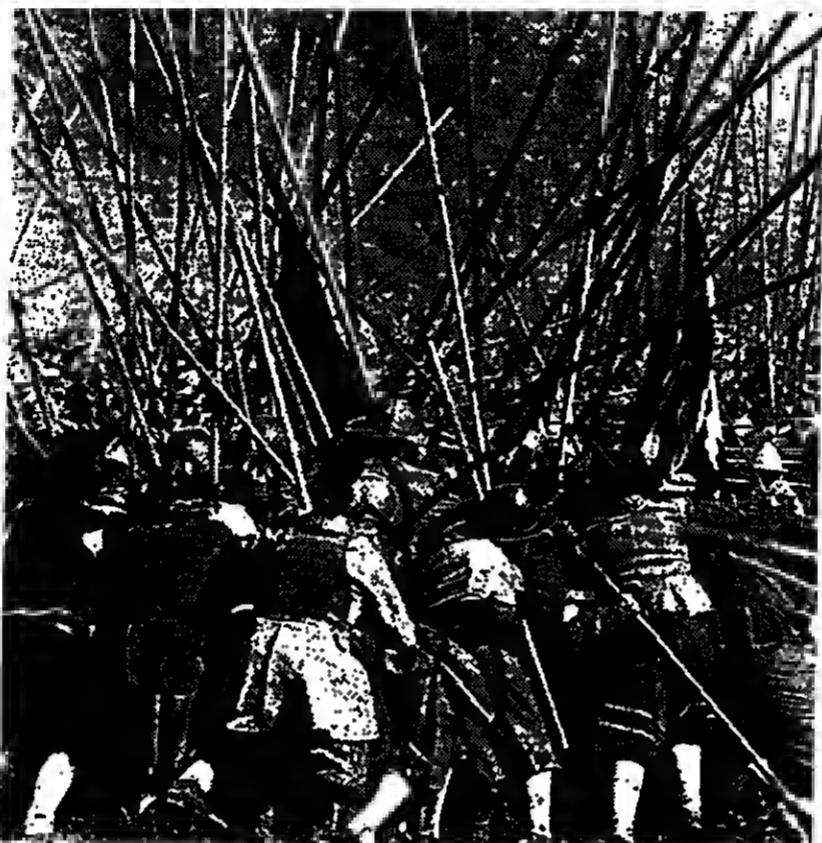
Regular readers of this column will be familiar with the belief that in programme making what often matters most is not technique but intent. That is surely as true with history as with, say, current affairs (which, anyway, usually means very recent history).

At one stage in last week's British civil war programme, colour film of the Newgate countryside failed to black and white, and we cut to a monochrome film clip showing a battlefield burial from the First World War; perhaps not a practice of which an academic historian would approve, but one which delivered its message very effectively. The availability of contemporary film or pictures is not necessarily crucial, though admittedly without letters, diaries and other written documents, history from that period would be pretty well lost to us.

Given my willingness to accept the re-staged battles and the anachronistic use of First World War material in *Civil War*, why should I have felt so much more doubtful about the use of reconstruction in this week's *Panorama*? Here we had yet another revelatory spy scandal from the Cold War years, this time from the US. The reporter was Tom Mangold, a dependable television journalist of the old school with the chutzpah of a Desmond Wilcox, and his subject was the CIA counter-intelligence chief James Angleton. While there are newspaper cuttings, press photos, and even a few bits of newswear featuring the spies that Angleton dealt with, there is no film of Angleton himself with it, nor is there any film of him at work; since he did a desk job in an office building.

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The English Civil War recreated on Channel 4

famous by the Warner Brothers gangster movies of the 1940s. You could argue that, although the Americans started shooting colour documentaries in World War 2, here a stylistic anachronism served to mark the separation between real documentary footage and reconstructions. The uneasiness comes from the fact that while pictures of Angleton working may have been desirable they were not vital, and the reconstructions, complete with mood music, served mainly to reinforce the atmosphere that Mangold was so clearly intent on conveying. Paranoia, paranoia and betrayal.

The crucial difference between the history in *Civil War* and in *Panorama* was not the 300 year difference in the dates, but the contrast in intent. *Civil War* gave the impression that its makers wanted to convey as accurate a picture of events as possible, leaving us to decide about the rights and wrongs or the character of those involved. *Panorama* on the other hand seemed much more interested in ensuring that we thought Angleton a bad egg. Perhaps Mangold and Clayton are right in their estimate of character (though I for one am sick and tired of today's obsession with Cold War spies) but it is always better to give the viewers as comprehensive a picture as possible and let them make up their own minds.

That was the technique in two programmes on Sunday evening: Michael Cockerell's *Bunkum And Baldershaw* on BBC2, about Bernard Ingham's work as

Margaret Thatcher's press officer; and Catherine Seddon's account of recent events in Lithuania. "You Can't Shoot The Truth" on BBC1's *Everyman*. Here we have two invaluable chunks of very recent history, the sort of television which will mean a dramatic contrast between the historical source material our generation inherited and what we shall pass on to our children. Cockerell constructed his programme by running videotapes of notorious events past Ingham and having him comment on them, so that the viewer sees such famous incidents as the rows over Prior, Heseltine and Howe and the Prior, Ingham's own version of his part in them, complete with choked-dog sound effects and Dan Dare eyebrow exercises. The historical value is not necessarily greater than that of "diaries, memoirs, film, photographs", but it is surely as great.

Much of *Everyman*'s footage showing the brutal suppression of Lithuanian nationalism by Russian tanks and soldiers seemed to be amateur video, but none the worse for that. On the contrary, when our grandchildren watch it, there will be precious little chance of them becoming "booked on inessentials" or feeling that the "dreadful realities" have been concealed from them. Television's precise contribution to history is incalculable but surely very large.

Christopher Dunkley

## Same Old Moon

## GLOBE THEATRE

After having seen the first part of *Same Old Moon* at the re-opening of the Oxford Playhouse last month, one went to its arrival in London with the heart somewhere between the knees and the boots. Yet it is amazing what hard work and a better stage can bring. This is not another *Dancing At Lughnasa*, and not only because Geraldine Aron does not write as well as Brian Friel - it would be hard to do that. Ms Aron's piece also lacks the imagination and the ability to create a world on its own that are so conspicuous in *Dancing*. But, seen at the Globe, it is not a bad play.

The play has some strong vignettes. A nun demonstrates to Brenda the act of procreation with a phallos-shaped biscuit and a doughnut. Brenda exchanges one of her first kisses in return for a ride on a bicycle: it is the bicycle that gets bent and broken. Best of all is the letter from the Vatican in response to Brenda's appeal to the Pope. It is signed by Monsignor Flaherty who adds in brackets

"formerly Martin Flaherty" of a road in Galway.

There are also some clichés: too many attempted jokes about sex and catholicism. It is not particularly funny that Brenda's father (played by James Ellis) and looking curiously like Sir Bernard Ingham should adopt all the prejudices of an Alf Garnett when he arrives in London, complaining about Pakistanis running the hospital and Jews running the country.

A longish sequence which is devoted to what happens to women when they start wearing a dressing gown must have been played at least a dozen times before, though I suppose it has a twist at the end: it is the fear of the same old dressing gown that spurs Brenda on again.

For my taste it is too Irish, sentimental and maudlin, but others may well like it and Jenny Killick's direction has improved beyond measure since Oxford.

Malcolm Rutherford

## Music at the Brighton Festival

comparative relief half-way through correspondingly less convincing.

There was admirably assured playing in the exposed, sustained pages at the end of the outer movements. Nevertheless, when all the bitter clamour and drenching lamination were over, one still remembered the small, distant voice of Carl Ruggles, whose Angels for brass (mixed trumpets and trombones) opened the concert. Such visiting cards are in danger of slipping from the memory. Ruggles' brief hymn, the long lines so packed with feeling that they seem paradoxically knobbed, did not do so.

In the Friends' Centre in Ship Street, Gwendolyn Mok opened her piano recital with Barber's *Excursions*. The performance of Mahler's Ninth Symphony (London concert-goers) was gripping: I have seldom heard so few coughs from so large a British audience on a cold spring evening.

It was instructive to hear in close-up - the Dome's acoustics, though by no means deadening, do nothing to blend orchestral colours - how Mahler gradually pulls together half-formed phrases and broken textures and how those textures threaten to disintegrate again. It may have been because the whips and scorpions were out to such effect in the second (*Ländler*) movement that the following rondo-burlesque was less searing than usual and the

turned out to be the only one of the four American works I heard at the Festival during which it felt a disadvantage not to have been there - one lacked the key to these intriguing scenes.

Sura Cherkassky's recital at Glyndebourne transformed with his wizardry a horrible May afternoon. Bach and Schubert, clear as spring water, alive and intelligent in every bar, were as incisive as the slow movement of Prokofiev's Sonata No. 7 and, as an encore, a Liszt *Consolation* were warmly poetic.

The American offering in this programme, and a welcome one, was Bernstein's piano arrangement of Copland's *El salón México*, which revealed itself as first cousin to another piano piece of uproarious urban low life by Albeniz - "Lavapés" in the third book of *Iberia*.

Ronald Crichton

■ ROME Teatro dell'Opera 20.30 Marcello Panni conducts Piccinni's *Iphigénie en Tauride* with Katia Ricciarelli in title role. Runs till June 1, with next performance on Sun (463641)

■ STOCKHOLM Royal Opera 19.30 Siegfried Kohler conducts Tazeane Firth's new Swedish-language production of *Die Entführung aus dem Serail*, also Fri. Tomorrow: Carmen. Sat: *Die Fledermaus* (248240) Konserthuset 19.30 Eric Krasl conducts Stockholm Philharmonic Orchestra and Chorus in a concert of opera choruses. Repeated tomorrow (244130)

■ NEW YORK Metropolitan Opera 20.00 American Ballet Theatre triple bill, including Balanchine's *Ballet Imperial*, also tomorrow. Fri and Sat: *La Bayadère* (362 6000) New York State Theater 20.00 NY City Ballet triple bill, with works by Peter Martins, Jerome Robbins and Balanchine. Daily performances except Mon till June 30 (670 5570)

■ MILAN Teatro alla Scala 20.00 John Cranko's *Ballet Taming of the Shrew*, also tomorrow, Sat and Sun (7200 3744)

■ PARIS TMP-Châtelet 20.30 Semyon Bychkov conducts Orchestre de Paris in Prokofiev's *Alexander Nevsky* with soloist Marjana Lipovsek. Mozart's *Sinfonia Concertante* for violin and viola with Anne-Sophie Mutter and Bruno Giuranna, plus a new work by Jan Marasz. Repeated tomorrow (4028 2840). Tonight at 19.00 in the Châtelet Auditorium, the Talich Quartet plays string quartets by Janácek, Martinu and Brahms. Théâtre de la Ville 20.30 Japanese dance programme choreographed by Utoyo Amagatsu, runs till Fri (4274 2277)

■ MUNICH Staatsoper 19.00 Klaus Weile conductiion of *Die Entführung aus dem Serail*, also Fri. Tomorrow and Sat: *La Cíamana di Tito*. Sun: *Die Zauberflöte* (5144 2960) Konzerthaus 19.30 Friedrich Cerha conducts Vienna Symphony Orchestra in music by Schubert and Webern. Tomorrow: Franz Bruggen conducts Orchestra of the 18th Century (7124 6860) Meistersaal 20.00 Kant Nagano conducts Peter Sellars' production of *The Death of Klinghoffer* by John Adams (586 1676) Musikverein 19.30 Klaus Weile conducts Tonkunstler Orchestra in music by Rossini, Chopin and Bruckner. In the Brahms-Saal, Helen Donath gives a song recital (668190)

■ VIENNA Staatsoper 19.00 Iven Fischer conducts *Die Entführung aus dem Serail*, also Fri. Tomorrow and Sat: *La Cíamana di Tito*. Sun: *Die Zauberflöte* (5144 2960)

■ SATURDAY

■ SUNDAY

Superchannel 19.00-19.30 FT Business Weekly 19.30-20.00 FT Business Weekly 23.00-00.30 FT Business Weekly 0.30-01.00 FT Business Weekly 0.30-01.30 FT Business Weekly 0.30-02.00 FT Business Weekly 0.30-02.30 FT Business Weekly 0.30-03.00 FT Business Weekly 0.30-03.30 FT Business Weekly 0.30-04.00 FT Business Weekly 0.30-04.30 FT Business Weekly 0.30-05.00 FT Business Weekly 0.30-05.30 FT Business Weekly 0.30-06.00 FT Business Weekly 0.30-06.30 FT Business Weekly 0.30-07.00 FT Business Weekly 0.30-07.30 FT Business Weekly 0.30-08.00 FT Business Weekly 0.30-08.30 FT Business Weekly 0.30-09.00 FT Business Weekly 0.30-09.30 FT Business Weekly 0.30-10.00 FT Business Weekly 0.30-10.30 FT Business Weekly 0.30-11.00 FT Business Weekly 0.30-11.30 FT Business Weekly 0.30-12.00 FT Business Weekly 0.30-12.30 FT Business Weekly 0.30-13.00 FT Business Weekly 0.30-13.30 FT Business Weekly 0.30-14.00 FT Business Weekly 0.30-14.30 FT Business Weekly 0.30-15.00 FT Business Weekly 0.30-15.30 FT Business Weekly 0.30-16.00 FT Business Weekly 0.30

## FINANCIAL TIMES

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## Efta's place in Europe

THE European Community's efforts to form a common economic area with the seven countries of the European Free Trade Association has not enjoyed the glamour of its overtures to the emerging democracies of eastern Europe. Yet a robust arrangement is quite as important for Europe's future.

The EC's original aim in proposing a European Economic Space – later renamed "area" – to avoid the notion of emptiness – was to allow Efta's fears of being left behind by the advent of the single market, while staving off awkward demands for EC membership.

On paper the European Economic Area appeared a neat, apolitical solution, which promised economic benefits for both sides. As the talks progressed, however, it became clear that even an exclusively economic arrangement would require Efta members to make painful sacrifices of national sovereignty in such basic areas as competition policy and the setting of industrial standards. Thereupon many Efta countries realised that there was no long-term alternative to membership of the EC. Otherwise, they would find themselves obliged to accept the rules of the emerging Europe of the 1990s, but be unable to contribute more than marginally to their formation.

### Full agenda

Accordingly, the arrangement, whose realisation has now come closer with a breakthrough on most of the outstanding issues in the talks in Brussels, that was initially transitional. The EC at least will judge it successful by how long it postpones the day when most of Efta is subsumed within the Community. The EC wishes not to contemplate that day right now. Its internal agenda is too full, not only with the completion of the single market, but also with its inter-governmental conferences on economic, monetary and political union.

As outsiders, the Efta countries have a weak hand. They could never expect to dictate terms. The realisation, if one that is often unstated publicly, that most are looking for EC membership in the long term should, however, help them to

swallow the loss of autonomy inherent in adherence to the European Economic Area. The proposal agreed this week, whereby disputes could be settled by a special joint chamber of the European Court looks like a useful compromise. So does Switzerland's decision to soften its demands for exemptions from the new grouping's rules.

### European heritage

Yet the EC should not ride over roughshod its Efta partners. More is at stake than expansion of the single market to a total of 380m consumers. These developed industrial democracies represent an important part of the broader European political, economic and cultural heritage. A Europe that marginalised them would be a nonsense.

The EC must plan its future with the eventual membership of these states in mind. Institutionally, it must take account of the need for a decision-making process and forms of bureaucratic accountability that can be adapted to a larger membership. The debate on political union, with all it implies for European security policy, must also unfold in the knowledge that it will be necessary to accommodate several neutral members, such as Austria, Sweden and Finland.

With its traditions of federal and local democracy, Switzerland may never be ready to accept the obligations of EC membership. For the other Efta countries, even Finland, it appears inescapable. But the process of adjustment will take time. It will be smoother if the European Economic Area offers as compatible an area room to membership as it is possible to make. Once created, such an arrangement could have long-term benefits. New participants – most obviously, Czechoslovakia, Hungary and Poland – could enter, while others depart to become full members of the EC.

Partly for this reason, but above all because of the need to include existing Efta countries as completely as possible in the new European arrangements, it is worth going the extra kilometre to make the final conference on the arrangement next a resounding success.

## Brazil's new economic team

IT MUST seem peculiarly perverse for Brazilians to be celebrating the demise of their first female finance minister, when their country is in such dire straits.

Ms Zélia Cardoso resigned last week, along with nearly every senior figure in the administration, bequeathing an economy both in deep recession and on the edge of hyperinflation. Her successor, Mr Marcílio Moreira, is the fifth finance minister in six years. (During this period Brazil has also switched central bank governors seven times.) At this stage there can only be hope – but no certainty – that Mr Moreira will succeed where his predecessors have failed.

The celebration has little to do with the expectation of any miracles in the world's eighth largest economy. It is far more a primitive display of satisfaction over the long-awaited exit of an unpopular minister. In this, she has borne the brunt of people's frustrations and disaffection with President Fernando Collor's 14-month old government.

The general thrust of her readjustment policies was correct. She recognised the need to deregulate and liberalise Brazil's highly protected economy. She began to cut the public sector deficit, remove exchange rate distortions and realign prices. But as a young academic without experience of government or politics, she was obsessed with her own rectitude. And, paradoxically, Ms Cardoso was far too interventionist in pursuing the eventual goal of deregulation.

### Arrogant approach

It was a mistake, for instance, to freeze the banking systems' assets in March last year when initiating the first phase of the stabilisation programme. This mistake was compounded by her arrogant like-it-or-leave-it approach which antagonised those whose support she most needed – the São Paulo business community, Congress and the international financial community.

Having stood by her for so long (by the standards of Brazilian politics), President Collor cannot easily distance himself from Ms Cardoso now. Nevertheless, the choice of Mr

T be independent German Bundesbank is an object of envy for Mr Bruno Meier, one of the former deputy presidents of the Staatsbank, the now-defunct east German central bank, taken under the Bundesbank's wing during the run-up to reunification last year.

Mr Meier recalls the remark two months ago by Mr Karl Otto Pöhl, the Bundesbank president, that the aftermath of German monetary union had been a "disaster". The comments, underlining Mr Pöhl's strong misgivings about the economic conditions under which the D-Mark was introduced across the Elbe on July 1 last year, sparked an angry reaction from Chancellor Helmut Kohl and Mr Theo Waigel, the Bonn finance minister. Mr Pöhl sent a conspicuously half-hearted letter to the chancellor, saying he "regretted" the incident.

"If Mr Horst Kaminsky (the former Staatsbank president) had said something like this, he would have been immediately sacked and persecuted as a western agent," says Mr Meier. "Pöhl's position allows him to irritate the chancellor. In a democracy, this is he regretted" the incident.

At about the same time as the now-retired communist banker was spelling out his admiration in a Berlin suburb on Monday, the independent and outspoken Mr Pöhl was – not for the first time – bogging the attentions of the foreign exchanges.

Financial market rumours that Mr Pöhl was considering resignation helped depress the D-Mark against the dollar – and triggered fresh speculation about further weakening of the Bundesbank's political clout, already undermined by months of well-publicised differences with the Bonn government.

The only official comment from the Bundesbank yesterday was that Mr Pöhl, in Basle for the monthly meeting of the Bank for International Settlements, again "regretted" the resignation. A spate of rumours in recent weeks about Mr Pöhl's supposed intention to depart have produced a mainly well-tempered response from the Bundesbank's press office.

But the latest reports, fuelled by speculation about the content of confidential discussions between Mr Pöhl and Mr Waigel in Bonn last Tuesday, have been the strongest yet.

Mr Pöhl is to make a statement after the regular fortnightly meeting tomorrow of the Bundesbank's 18-member policy-making council. His ability to disagree publicly with the politicians gives him undoubted power. Allied to mastery of the technicalities of monetary policy, his quick wit, and a rare ability to communicate attract envy from other European central bankers – and has turned him into something of an international media star.

Mr Pöhl says that his 11½ years at the helm of the Bundesbank has taught him that independence can bring unpopularity. But, as the Bundesbank navigates the swirling political and economic aftermath of German unification, Mr Pöhl has found that his power to influence (as well as irritate) the politicians can diminish the more often he uses it. In recent public statements, he has shown no trace of disillusion with high office. Yet the feeling that Europe's best-known central banker may be looking for a career switch has now broken through to the outside world.

It seems highly unlikely that Mr Pöhl has decided to step down immediately. But he has certainly been dwelling on the possibility of departing before his second eight-year mandate as Bundesbank chief expires at the end of 1995.

Sporadic discord with the government during the past 15 months, both over introducing the D-Mark to East Germany and over the path to European Monetary Union (Emu), has frayed nerves between the central bank in Frankfurt and the politicians in Bonn. Additionally, Mr Pöhl has

been unhappy over internal bickering on the Bundesbank's council. Disagreement has focused on German monetary union (last year) and, more recently, on a plan to slim down the Bundesbank's post-unification decision-making structure. Mr Pöhl, backed by the rest of the seven-man Frankfurt directorate, wants to streamline to eight the number of Land (state) central banks whose presidents make up the other 11 members on the policy-making council.

A majority of the Land representatives, by contrast, favours raising the number by one (to 12) to make allowance for the new east German states. The Bundesrat, the upper house of parliament, has called for the number of regional central banks to be increased to 16. The "16 solution" is opposed by Mr Waigel, but the government has still not made up its mind on which scheme to back. Mr Pöhl has already told colleagues that he would quit if the plan for 16 central banks were agreed.

Mr Pöhl has simply one vote out of the 18 on the council. Several other members – including some heads of Land central banks which would not be closed down if Mr Pöhl had his way – have been voting protest. "The council has entered a time of uncertainty," says one board member.

In contrast to his popular predecessor, Mr Otfried Brümmer, Mr Pöhl is almost unanimously agreed to have been an effective chairman of the council since he took over as president in 1980. He prides the council's collegiate spirit. But his occasional frustration at dealing with this heterogeneous and increasingly self-optimised body of professors, politicians and economic functionaries has fostered doubt about whether he wants to carry on until 1995.

Mr Pöhl combines his image of a born mount with a strong streak of almost melancholy reflectiveness. In mulling over the possibility of breaking a run of two decades in top German monetary posts, he knows that, at 51, he has only limited time to start a new career. (Mr Pöhl has occasionally reminded Mr Kohl that he is, in fact, four months older than the chancellor.) In a private sector job, the Bundesbank president could probably double or treble his present annual earnings of DM600,000 to DM700,000. (This, by the way, is about 40 times more than the early retirement pension received by Mr Kaminsky, his now-unemployed former opposite number at the Staatsbank.)

Mr Pöhl would miss above all his colleagues on the international central bankers' circuit. But in a lower-profile job outside the public sector he would be under a great deal less political stress (and would also be less threatened by the worry of terrorist attacks from urban guerrillas). He would also benefit from a great deal more time with his young family.

The unusual pressures on the Bundesbank president started with Chancellor Kohl's decision in December 1990 to offer East Germany talks on German monetary union without having consulted Mr Pöhl first. Embarrassingly for Mr Pöhl, he heard about



the offer hours after having dismissed the pair in talks with Mr Kaminsky in East Berlin. Already then, Mr Pöhl briefly considered the idea of resigning, but turned it down in view of the historic significance of unification.

On May 15 last year, the Bundesbank discovered from the newspapers that the government was launching large extra borrowing to finance unity through an off-budget German Unity Fund (GUF) – ruling out the route of raising money for East Germany through tax increases. One senior Bundesbank council member dismissed the GUF as a potentially inflationary "fiasco".

In an attempt to limit open dissent with the government Mr Pöhl made efforts to prevent the council taking a

public line favouring tax increases. This was in spite of his own view that higher fiscal contributions would almost certainly eventually prove necessary – a forecast which was proved correct when Mr Kohl's government announced one of Germany's biggest ever tax increases three months ago.

At the end of May last year, Mr Pöhl sent a stiff letter to other Bundesbank council members, calling on them to close ranks over the issue of discord with Bonn over German monetary union. Mr Pöhl's own unscripted "disaster" remarks in Brussels succeeded in bringing the issue back into the headlines – an outcome which he accepts is somewhat ironic.

Over European monetary union, the

### Knock for knock

■ Octav Botnar, the 77-year-old autocrat who has ruled Nissan UK for 20 years, prefers the spotlight to be on his cars rather than on him.

But although he has been keeping a characteristically low profile during his extraordinary fight with Nissan Motor of Japan, he appears determined to have the dirty laundry washed in public.

Botnar is absent from this week's high court action, leaving Michael Hunt, his right-hand man and largest shareholder, to watch the proceedings.

The case is the culmination of lengthy and deepening conflict between the two parties and stems from Tokyo's decision to terminate from the end of 1991 Nissan UK's sole importing and distributing concession.

While Nissan Motor is trying to minimise any embarrassing public wrangle, Botnar, who wants to stop the Japanese selling their cars to any other distributor, has other ideas.

Undaunted by the potential sensitivities of the legal system, he is fighting his corner outside, as well as inside, court.

Even as his barrister was struggling to get everything out into open court – he lost in his initial try for a public hearing on whether the dispute should be settled in Japan or Britain – Botnar's staff began circulating a history of the UK business and its trading record.

The document talks of two decades of devoted service to Nissan and complains that the British company finds itself "at the receiving end of an ungrateful attempt" to end its dealership. Nissan Motor's conduct, it adds, is totally without justification.

On the opening day of the proceedings, which could well soon emerge into open court, Sir Nicholas Browne-

### OBSERVER

Wilkinson, senior judge of the high court chancery division, pleaded with Nissan UK's barrister: "Don't hot it up".

Pat chance.

### Identity crisis

■ Ever since the Turkish authorities were advised in the early 1980s that their country might improve its image abroad by referring to itself in English as Turkey – rather than labouring under the image of a big stupid fowl – the question of a name-change has not gone away.

Now, the country's travel agents have decided to entice visitors to sunny Turkey while Ziraat Bankasi, the state bank, is also using the adaptation to advertise its services internationally.

The new version sounds fairly natural to most Turks, given that it is only a slightly adjusted form of Turkey, the name they have themselves used since the 1920s when the newly-formed republic replaced the Ottoman Empire.

Those in favour of the change appear to include President Turgut Ozal, but not all his fellow countrymen agree. Some think the very idea of degrading and others are angry that their nation should show itself so sensitive to American red-neck slang.

An unruffled official in Ankara says some of the alternative names proposed would have been worse and that any suggestion is unlikely to last long. Turkey, he adds, is not about to get the bird.

### "Gumshe"

■ Time was when the idea of using an American "gumshoe" to dig up the dirt on corporate predators or prey might not have amused the archetypal British merchant banker. But

situations like hers, but says times are changing fast.

Although the job is risky moments, she adds, she rarely relies on femininity. "The only time it helped, was heavily pregnant and knocking doors on a snowy night in New England. It worked quite well".

### Green back

■ After a spell on the sidelines following his forced departure last year as chairman of the London Metal Exchange, Christopher Green has re-emerged as a director of Barclays Metals, ring dealing subsidiary of Barclays Bank.

Now 56, Green has been in the metals business for 33 years, serving as vice-chairman on the old Metal Market and Exchange Company replaced by the LME after the 1987 tin crisis.

But his time-consuming role at the LME, described by him as something akin to "unpaid masochism", became something of a headache when Cerro Metals, where he was chief executive, was taken over in 1989.

His new American bosses were unhappy with a quaint, old tradition which left the LME chairman doing an unpaid job which took up to half his time. They were content to let him carry on but suggested that, for the first time in 110 years, it should carry a salary with it. Cerro would cough up half but the LME would have to do the rest.

Neither the exchange nor Green was much amused and there was a parting of the ways. Unfortunately the loss of his job made him no longer eligible to serve as a ring director, so he ended up losing not one job but two.

### Written off

■ Asked to explain the phrase "The child is father to the man", a schoolgirl answered: "It was written by Shakespeare. He often made this kind of mistake."

Bundesbank president has benefited from agreement with Mr Waigel about the need for care rather than speed. Mr Pöhl, however, was aware that Mr Kohl, at an EC summit in Rome in October last year made an unnecessary concession to the French government in agreeing a possible date to establish an EC central bank in January 1992. Both Mr Pöhl and Mr Waigel regard this as premature.

But at the informal meeting last weekend of EC finance ministers and central bankers in Luxembourg, Mr Pöhl succeeded in winning general agreement for the date to be put back to 1996. He also obtained in seeing endorsement of the Bundesbank line that the less "stability conscious" EC members would not be able to start Emu at the same time as the low-inflation "core" of Germany, the Benelux, Denmark and France.

If Mr Pöhl does decide to quit before time, the most likely candidate to take over would be Mr Hans Tietmeyer, the Bundesbank board member in charge of international monetary affairs, well known (and by some, disliked) for his inflexibility and toughness. Mr Pöhl is a much more diplomatic performer. "He sees things from so many sides that sometimes you wonder if he has an opinion," says one colleague from the Bundesbank council. He adds that Mr Pöhl's "sovereign" can make him much more difficult to disagree with.

Mr Tietmeyer, like Mr Pöhl before him, came to the Bundesbank in 1977, was previously state secretary in the Finance ministry. Mr Tietmeyer joined the Bundesbank at the beginning of 1990, and within three months was thrown into the political fray of helping negotiate German monetary union as Chancellor Kohl's personal adviser. As a member of Mr Kohl's Christian Democratic Union, Mr Tietmeyer is a great deal closer to the chancellor than Mr Pöhl, who has maintained (now largely nominal) membership of the Social Democratic party he joined in 1963.

There was some tension between the pair when Mr Tietmeyer joined the central bank, partly because Mr Pöhl saw Mr Tietmeyer as a potential rival. Their monetary views, however, tend to converge. Mr Pöhl has also improved his relationship with the other leading figure on the council, Mr Helmut Schlesinger, the vice president, due to retire in September next year.

Mr Pöhl would have no objections to handing over the reins to Mr Tietmeyer, provided he believed that the Bundesbank's monetary strategy was headed in the right direction. Although Mr Pöhl has headed off for the moment the latest US demands for cuts in German interest rates, uncertainties persist on both the external and domestic fronts. The Bundesbank has mounted a campaign – without great effect – against wage rises of about 7 per cent in the current German pay round. With inflation perhaps heading towards the 4 per cent level by the end of the year (against only 2.5 per cent now), the central bank may before long be forced into a new increase in its discount and Lombard rates.

The weekend compromise in Luxembourg has, however, averted the danger that the Bundesbank would have to sacrifice its monetary sovereignty to the new EC central bank before 1996 – by which time Mr Pöhl's term would have expired. In pondering his future, Mr Pöhl may have reflected that the previous longest-serving Bundesbank president, Mr Karl Blessing, served for 12 years (between 1958 and 1969). By the end of this year, Mr Pöhl will have notched up

Lord Hesketh's mother loves the Royal Mail. In part, it is because she enjoys sending letters which usually get delivered. But above all it is because the Queen's head is on the stamp. It is not a view shared by her son, who as the minister for industry responsible for the Post Office, is looking at various proposals to inject more competition into the service.

If his mother's somewhat nostalgic view of the service appears out of date it should be remembered that it was more or less shared by the last prime minister. The Queen's headed stamps were enough for Mrs Thatcher to rule out privatising the service.

If only Labour MP Tony Benn had realised the significance of this national love affair with the Queen's image, he might have thought twice before embarking, as postmaster-general, on his ill-fated campaign in the 1980s to remove the sovereign's head from the stamp.

However, the presence of the Queen's head no longer invokes the same reverence in Mr John Major's "classless society". The prime minister has made it clear that the Post Office is a prime candidate for privatisation, and hoped to include a proposal either to sell it off, or at least to open it to competition, in the government's general election manifesto.

The question of how to do it has provoked a fierce battle within the Conservative party. Some on the right of the party want to break up the Post Office and sell off its constituent parts. The Department of Trade and Industry, however, favours more competition but is sceptical of outright privatisation.

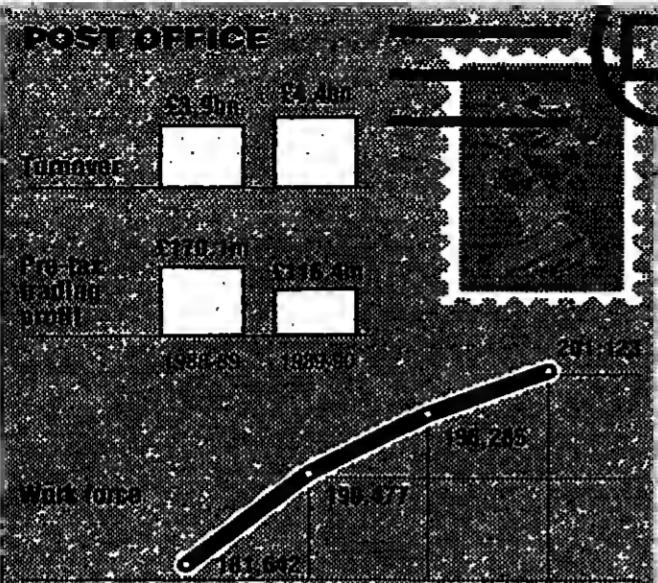
Officially, the DTI is adopting the Major idea of "nothing ruled in, nothing ruled out". But officials are already dismissing two possible options: do nothing or privatisate the Post Office as one business. At the moment, the Post Office is organised in three divisions - parcels, counters and letters - and wages account for more than 80 per cent of total costs.

Those in favour of outright privatisation are led by the Centre for Policy Studies (CPS). It has drawn up a report with the aim of breaking up the Royal Mail into four regional businesses, which would then be privatised. A new Office of Posts (Opost) would be created, with a similar role to that of the Office of Telecommunications. It would have the power to grant licences to new entrants to the market.

The DTI is anxious that any privatisation plan should not

## Fresh package for the post

Roland Rudd on the proposals for - and costs of - reforming Britain's postal service



allow private courier firms to "cream off" the most lucrative geographical areas such as big cities. Mr Michael Corby, author of the CPS report - to be published soon - says the regulator could prevent this happening by forcing the new mail companies to provide a letter service in relatively large areas.

Those proposal may be too far-reaching for the DTI under Mr Peter Lilley, although he remains the most senior member of the No Turning Back Group of Thatcherite MPs. The secretary has long been an advocate of reforming the Post Office.

The Adam Smith Institute, the free-market think-tank, is proposing a different solution. It believes that at least one private-sector company should be licensed to compete with newly-privatised Post Office businesses. However, the DTI is sceptical of the claims of some private couriers, such as TNT, the Australian-based delivery company, to be able to provide a rival service.

Before the DTI makes a decision it wants a more detailed run-down of Post Office finances. Although the Royal

would also like to know why overall Post Office profits fell last year from £16.1m to £16.4m on turnover up from £3.9bn to £4.4bn.

Mr Cockburn says he initiated the DTI audit. In anticipation of a European Commission report into liberalising postal services, Mr Cockburn has asked his managers for a detailed list of the costs of sending a letter. This will enable him to compile a pricing structure for Royal Mail services. Private couriers might then seek to carry mail, and in rural areas, to pay the Post Office for delivering the letter.

Although Mr Cockburn's initiative to introduce more competition has been welcomed within the industry, DTI ministers are being urged to remain wary of the Post Office's figures. The Mail Users' Association, a pressure group that claims to represent businesses with postage bills totalling £40m a year, says the government should force the Post Office to break down the costs of first-class and second-class stamps. Mr Leon Morelli, the association's chief executive, says: "It is a monolithic organisation which appears to be wasting money."

He cites the case of the Post Office's fleet of vans, which he says run on average for only six hours a day and clock up 12,000 miles a year. He also believes the organisation's buildings are only used for a average of seven hours a day.

The DTI will study similar claims of inefficiency. The option currently favoured by the department is for collection and sorting of mail to be contracted out to private bidders, which could either include in-house Post Office management buy-outs or private contractors. Once the post has been sorted it would be collected by the Post Office or its regional contractor. The parcels division could be sold off as a single entity.

Under this plan the Post Office's existing national structure would be retained but its 64 districts would be converted into nine business divisions. Nevertheless it may be too early for Lord Hesketh's mother to jump for joy at the news that the Queen's head is to remain on British stamps.

The department also hopes to find out the extent of any cross-subsidy between different geographical and business divisions within the Post Office so any financial prop up of one area by another can be ended. The DTI plans to finish its studies into the Post Office's finances by the summer.

The department is not satisfied with the assertion of Mr Bill Cockburn, Royal Mail managing director, that he knows the detailed costs involved in sending a letter, and says most of the figures have been sent to the government's watchdog, the Post Office National Users' Council.

The DTI doubts whether the figures are as detailed or as accurate as they could be. Officially, the department is awaiting the Royal Mail report before making any comment. It could just begin those in favour of straightforward privatisation could yet win the day."



### FOREIGN AFFAIRS

"The whole question of sovereignty needs to be addressed for Sudan as in Iraq. If a regime has proved absolutely intransigent, has

used food as a political weapon, and is incapable of feeding its own people, the option of the international community should not be abandonment and indifference, but intervention. The precedent set in Iraq should be applied to Africa, where the situation is more grave."

If those remarks seem familiar, it is because you read them on the opposite page a week ago. They were made by Mr Kostis Maniatis, deputy general-secretary of the Sudan Council of Churches, and quoted in the article on famine in Africa by Julian Orman and Michael Holman. But they seem to me well worth reprinted, and thinking about.

In practice, as Orman and Holman pointed out, "the world community shows no sign of treating the action to save the Kurds as a precedent" in Africa. Nor is there any compelling reason why it should.

Iraq is a special case. Its government has clearly demonstrated, by waging aggressive war, that it is a menace not only to its own citizens but to neighbouring countries and to world order. The "world community" felt obliged to take up arms against it, and having done so would have had a strong legal case for removing it from office by force of arms. There were strong political arguments against that, but these should at least not have inhibited the victorious allies from rendering moral and material support to those Iraqis who, in the immediate aftermath of a disastrous and unjustifiable war, tried bravely to overthrow the government which had started it.

The Royal Mail has yet to complete its financial review, and the DTI may not even have the last word. The Treasury and finally the prime minister will want their say. As one senior government official warned: "The debate on the Post Office's future has only just begun. Those in favour of straightforward privatisation could yet win the day."

not limited to the fate of the Kurds, but extends to all the Iraqi victims of President Saddam Hussein's victory over the uprisings. But let that pass for the moment. My point today is that "the world community" is likely to contemplate challenging US power beyond its own borders. Probably not many today would even be confident that they could emulate Vietnam by surviving and eventually defeating an American intervention on their own territory.

The limits to American power are mainly internal. Mr Saddam himself sensed this, as he showed when he told the US ambassador, a few days before invading Kuwait, that "you bears did 100 years ago. Their aggression and moral indignation can be aroused by the news media, as their forebears were aroused to similar emotions by the reports of returning missionaries. Like those forebears, they will make contributions to charity, and will feel from time to time that "something should be done".

But for that "something" to be anything as expensive and dangerous as military intervention it will surely be necessary for other emotions, such as fear and greed, to be aroused too.

If I say that Mr Maniatis is advocating a return to imperialism, he will probably feel deeply hurt and insulted.

Brimming with its noble side, it saved lives as well as taking them, and there were plenty of people on the receiving end - Mr Maniatis' forebears, perhaps - who were unashamedly grateful for its benefits. The overall balance of profit and loss remains controversial, for the coloniser as well as the colonised. Many white men shouldered the "white man's burden" in a spirit of genuine idealism. Whole societies, however, would not have done so without the expectation of profit, and above all, without the fear that if they did not they would lose out to rival powers. Today those conditions seem unlikely to be fulfilled. And, for better or worse, today's "white men" hardly look fit enough to take up any excessive or unnecessary burdens.

pared, in order to achieve them, to cut social security entitlements, or even to increase the price of gasoline.

That means that military action is much easier for US presidents to contemplate

when, as in the Gulf war, there

is a reasonable prospect of getting other countries to pay for it, and when there are allies

willing to share the political

and military risks. This fact

serves to enlarge the "world

community" somewhat. Other

industrial democracies, besides

the US, are members of it, even

if not on an equal footing.

So let us be clear what this

"world community" is. It is not

quite literally a white man's club, because Japan is a member,

and will have an increasingly important part to play.

But it is a club of rich, powerful, successful countries. The citizens of those countries have a consciousness just as their forebears did 100 years ago. Their aggression and moral indignation can be aroused by the news media, as their forebears were aroused to similar emotions by the reports of returning missionaries. Like those forebears, they will make contributions to charity, and will feel from time to time that "something should be done".

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Edward Mortimer

## White man eyes his burden

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# FINANCIAL TIMES

Wednesday May 15 1991

Your international  
banking professionals

**FUJI BANK**

Italy's treasury minister hints at reform of pension system to cut government deficit

## Carli seeks to restrict state wage rises

By Helg Simonian in Rome

ITALY'S treasury minister, Mr Guido Carli, is proposing to restrict public sector wage rises to the rate of inflation in order to curb the high pay rises that have fuelled inflation and contributed to the government deficit.

In an interview, Mr Carli also hinted that reform of the country's generous pension system, which he said was another crucial way to lower the spiralling deficit, could hit stalemate in parliament and provoke early elections.

The proposal on wages, which will be presented in negotiations on new contracts for public-sector workers next month, is likely to cause friction within the government and meet stiff resistance from unions used to above-inflation pay rises.

Wage indexation would "stabilise employees' purchasing power in real terms", said Mr Carli.

The first test of his proposal will come when teachers, who have already warned of strikes, meet next month for talks on renewing their current three-year wage contract.



Guido Carli: proposals could hit stalemate in parliament and provoke an early election

On pensions, Mr Carli said he could give no assurance that the planned reform bill, to be prepared by the middle of next month, would win parliamentary approval.

Reforming Italy's pensions system, on the political agenda for over 10 years, is likely to prove controversial, not least because of the unpopularity of such a measure in the run-up

to elections due in the summer of next year.

The Socialist party, a member of the current four-party coalition, and opposition groups have come out strongly

against lower benefits.

Choosing his words cautiously, the implication in Mr Carli's remarks is that so contentious a measure will not make any headway in parliament. He implied that a stalemate would provoke early elections.

Mr Carli last week reportedly threatened to resign if the government did not put forward the proposals.

Mr Carli said the government's privatisation policy, as part of last Saturday's mini-budget, could eventually involve floating more than the current 49 per cent ceiling of public-sector companies on the stock exchange.

The aim would be to stimulate widespread share ownership, while avoiding the creation of groups "which exert excessive power", whether in the privatising of the public sector.

One way of doing that would be to sell shares to Italy's big co-operative movement, which groups small businesses in different sectors, in the privatisation process.

Yesterday's mystery purchase of some 224m of Imperial Chemical Industries shares is hard to reconcile with normal takeover logic. The long history of international chemicals cartels would probably rule out a straight bid by most of ICI's competitors. Nor would such a small stake force ICI to part with, say, its pharmaceuticals business, even if a hostile deal were feasible in that notoriously sensitive industry.

The same difficulties would apply in modified form to a Hanson-style break-up, even if the UK authorities could bring themselves to countenance the demolition of a company which is in effect the repository of UK expertise and training in industrial chemistry. It may simply be that the stake is a straightforward portfolio investment, in which case yesterday's 5 per cent jump in the share price may not be sustainable. But no one is likely to bet on that until the buyer is known.

Investors are asked to choose between two management teams desperate to distance themselves from the errors of the past. Tootal's Mr Higginson has put up a spirited fight but cannot escape the shadow of the Sandhurst acquisition and his company's well-documented enthusiasm for a merger last time round. Coats' Neville Bain at least comes in a fresh wrapping from Cudbury, but his challenge has been to answer doubts about the group's ability to swallow another formidablegulp of territory.

recent underperformance therefore suggest only that the market is more sanguine than the company about a resurgence in retail spending. Either way, yesterday's price of 257p puts the shares on a prospective multiple of around 15, which seems a lot to pay either for defensive strength or likely recovery.

**Marks and Spencer**

For the sceptics, Marks and Spencer's mere 4 per cent rise in earnings last year will confirm the theory that the UK's most talented all-round retailer is losing its way.

The truth may be less lurid. M and S's solidity is such that if it is suffering, the competition must be suffering worse. The real question is whether M and S is a growth company any more.

Even allowing for what is happening to UK consumer spending overall, last year's figures make unsettling reading. In the UK, group volume in the second half was down 6 per cent on a like-for-like basis. Food volume seems to have been down slightly as well, which should make for an interesting comparison with today's figures from Sainsbury. M and S's ability to control costs remains highly impressive.

Although Mr Leigh-Pemberton, who was speaking in Frankfurt last night, referred to the industrial countries as a group, his remarks contained a clear message for the UK government and those Conservative MPs who have been putting pressure on Mr Norman Lamont, chancellor of the exchequer, to cut interest rates soon.

Invoking a phrase used previously by Mr Lamont, the governor said that "siren voices" suggesting that a reduction in interest rates would be a simple way of achieving faster economic growth were much in evidence at present. But the objective of monetary policy should be to achieve stable prices - and it should not attempt to deliver targets for economic growth, even in the short term, he said.

Although the seven leading industrial countries had, as a group, stagnated over the past six months, Mr Leigh-Pemberton said there were several reasons for cautious optimism and for expecting recovery in the second half of this year.

But he added a stern warning: "If we become impatient with the lack of visible progress in re-estimating output growth and attempt to force the pace of expansion, the risk is that we would add to inflationary pressures just as the upswing is beginning."

Mr Leigh-Pemberton's remarks are unlikely to endear him to the many Tory MPs who want a cut in the current 13 per cent bank base rates to help prepare the way for another Conservative general election victory.

The speech was the second in a week designed to dampen expectations of an interest rate cut, prompting some MPs to question whether the unelected governor of a non-independent central bank should be making such statements.

Last week, the governor warned against "false dawns" in the battle against inflation and suggested that the sharp fall in retail price inflation that is expected to be shown by figures on Friday would not reflect the persistence of underlying UK inflation.

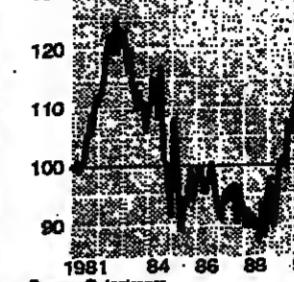
In this, he appeared to be vindicated yesterday when official figures showed that prices of products at the factory gate rose by 1.2 per cent in April, lifting the annual rate of factory gate inflation to 6.4 per cent, its highest for more than eight years.

Producer prices, Page 10

## ICI's unknown admirer

**Marks and Spencer**

Share price relative to the  
FT-30 Stock Index



Source: Datastream

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## MANAGEMENT CONSULTANCY 2

Michael Morgan analyses the Institute's new survey



PROFILE: David Miller

## An accountant, a physicist and a consultant

WHEN David Miller takes over the presidency of the European Federation of Management Consulting Associations this month, he will find himself in the unusual position of being more familiar with the new surroundings than are his staff.

As head of the Brussels office of Coopers & Lybrand for the past two years, he has only to walk down the street from his usual office to reach the building where he is expected to spend half a day each week over the next 12 months.

The Fédération Européenne des Associations de Conseils en Organisation (FEACO) has a strong French presence. It moved to Brussels less than five months ago, away from the headquarters in Paris where it had been based since it was founded.

The new location is not accidental. It ties in with Mr Miller's top priority during his year in office: to improve relationships between the profession and the European Community. "I feel we should be taking a more proactive role," he says.

Ironically, Mr Miller assumes his role just as his firm, Coopers & Lybrand, has sent him back to London. After two years in Brussels, he was appointed head of the environmental services practice in January.

He originally joined Coopers & Lybrand in 1968 from Arthur Andersen, and returned between spells as a finance controller in the private sector, and then as a seconded to central government in the mid 70s.

He helped establish the firm's government services division a decade ago, specialising in the water industry. Before rising to be managing director of the consultancy section of the partnership for three years in the mid-80s, and then spending four years in the international development arm.

FEACO was established in 1960 by the national management consultancy associations of France, Germany, the Netherlands, Sweden, Switzerland and the UK.

It now has some 26,000 affiliated consultancies in 18 coun-

tries, including members in Bulgaria, Czechoslovakia and Hungary.

All the member firms are represented by the presidents of their national associations. That includes Mr Miller, who recently finished his term with the UK's Management Consultancies Association (MCA). His new position reflects the unofficial rotation of the presidency between the different countries represented.

National associations help with particular projects, like the MCA's production of this year's international directory of members.

They also contribute to

FEACO's budget, which is around £100,000, including expenses and the salaries of a

part-time director general and administrative support.

The national associations provide the base for lobbying their own countries' ministries before FEACO does the same on the international stage. "The core focal point is the development of the consulting profession and its relationship with the Community," says Mr Miller.

A key campaign he plans

this year is to change EC procedure on the use of consultants, by introducing pre-qualification bids.

They are likely to be spending more time abroad as a result of the recession in the UK, a trend first seen towards the end of the 70s. Also, continental Europe is a growing market, where, apart from Germany, the profession is not as well established as in Britain.

British consultancies are

already at work in Spain, Portugal and Italy, while clients are also emerging in Scandinavia and the Netherlands. Consultants are also being called on to bring their experience to bear in France, mostly from British companies already working there.

Consultants are also turning

their attention to eastern Europe. Mike Jeans, IMC president and a senior partner in KPMG, explains: "There is quite a lot of privatisation work going on there, and the UK probably has the lead in understanding privatisation issues. There is also a fair amount of work in setting up joint ventures. Most of the large practices have now set up offices in eastern Europe, so we can also offer western European companies knowledge of the local market."

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# Pera International – world class

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## Industry matters

ASK any one hundred people and most, if not all, will agree that a successful manufacturing sector is vital to this country's future. Even those who aren't familiar with the statistics and the economic arguments feel, instinctively, that we need successful companies who make things, real wealth generation as well as those who simply recycle money through services.

It's not surprising that we feel this way. The country became great on a tide of manufacturing excellence and most of us can remember when 'Made in Britain' meant quality compared with all the cheap rubbish which came out of the Far East.

How things have changed. The sad fact is that once we were a great manufacturing nation and now we aren't. No amount of political rhetoric, or suspect statistics about 'relative productivity improvements since we were elected', can hide the plain truth that in the last few decades we have allowed our manufacturing sector to wither. There's no point in apportioning blame, we're all to blame. The financial institutions for failing to understand the importance of long-term industrial health on the economy as a whole, universities for failing to produce enough

support this but perhaps three statistics say it all.

- Japanese universities and colleges turn out nearly five times as many engineers and scientists than we do in the UK.
- In Germany 50 per cent more school leavers take part in structured vocational training programmes.

• To rub salt in the wound, each year Japanese inventors patent seven times as many new ideas as their British counterparts.

These figures are worrying enough in themselves but the underlying trends are even more disturbing. Many nations already have much healthier manufacturing sectors than ours and yet they are increasing their investment in skilled people. Just to maintain our relative position in the league we need to increase our supply of engineers and scientists, at a far higher rate than trends over the last few years suggest. We, in manufacturing industry, also need to attract the best to take up careers in industry rather than jobs where their technical training and skills are peripheral.

If we are to regain our position as a major manufacturing nation we must, in my view,

**By Ron Armstrong, Chief Executive**

good people, and governments for failing to provide any lead in the form of a national policy or even consistent trading conditions. Most of all, we in industry have to blame for letting them all get away with it for so long.

Our future standard of living depends on us having a healthy manufacturing sector. Manufactured goods can be traded internationally. They generate new wealth rather than simply circulating wealth through services. Manufacturing contributes about a quarter of our GDP but over 80 per cent of our export income. We are not a tiny nation who can exist on niche service sectors. If anyone doubts the fragility of an economy based on service industries they need look no further than the loss of tourism created by a short war in the Middle East. We have failed continually to grasp the fact that sustained economic growth will only be achieved if we have a strong manufacturing sector which produces internationally competitive products. This hinges on one thing, investment. Investment in physical resources and in trained people.

By any common sense comparison, our record in producing enough engineers and scientists is pitiful. Every country, which recognises the importance of manufacturing to their economy, has invested heavily in research, development, education and training. There is considerable evidence to

support this but perhaps three statistics say it all.

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that they will fare any better in the future. A national manufacturing strategy may just provide the catalyst we all need.

Such a strategy will not be simple either to design or to put into practice. International trading regulations and an increasing amount of legislation governing competition policy restrict our room for manoeuvre. But there are many things we can do, such as:

- Setting national targets for the numbers of engineers, scientists and business graduates produced by academia and providing the necessary resources.
- A complete overhaul of corporate taxation providing greater incentives for investment in training, R&D and market development.
- Creating a regulated system of low interest investment finance backed by long-term fiscal guarantees.
- Stepping up the intensity of national programmes to create better awareness of industry in schools and young people at large.
- Putting even more effort into the drive for high quality innovative products.
- Requiring companies to declare expenditure on R&D, training etc., in their annual accounts and modifying audit

practices to provide more accurate projections of the future health of the business.

None of these ideas are particularly new. But they are all possible provided we get rid of confused thinking and an unwillingness to act. Perhaps it's not even too far-fetched to consider the designation of key national industries for investment and growth. Linking them to the regeneration of major industrial centres. This would at least be better than bribing companies to move to areas lacking in infrastructure and attractiveness to qualified and ambitious staff. The regional development agencies do excellent work but, surely it's far better to put effort into developing important industries rather than geographic areas. If we have healthy industry we won't need development areas.

It's easy to bury our heads in the sand, hope that another natural resource bonanza will come along at the right time, and to believe that, somehow, it will turn out right in the end. In my view we've ridden our luck for too long. Our future as a successful manufacturing nation is too important to leave to chance. It's time, to not just hope it will happen, but to act to make it happen.

## New products improve future prospects

**David Riley, Business Manager, describes some of the ideas for new "products" and services Pera International will be introducing.**

CONSULTANCIES often talk to clients about "continuous improvement" but fail to apply it to their own businesses. Clearly they will lose clients if they do not re-examine constantly how well their "products" and services are received.

Pera International puts considerable effort into improving what it does. The task of its "new product development" is to review current "products" and services, compare them against what clients need and set priorities to fill any gaps.

The priorities for development come from inside the company, as well as from research. The internal ideas – usually the best ideas – come from the company's managers and staff as a result of their dealings with many different clients.

This process has led to initiatives such as "competitive benchmarking". Pera International's quality management division has found a high degree of variation between what companies consider to be important in measuring performance standards in cus-

tomer service. As a result, a development programme is underway to build a European database of benchmarks. European companies will be able to compare their own measures and performance against those of competitors and high performing companies as the first step in improving performance. This approach brings "world class" standards within the reach of companies of all sizes, not just the biggest.

The membership services division is building upon its "Eurodesk" information

service to help members reduce the cost of entering international markets. Work is going on to develop "international membership services" to provide information and support right from market analysis through to matching products with new distribution at home and abroad.

The environmental engineering division is looking into the impact of the Environmental Protection Act which comes into force next year. Under the Act, many companies will need to gain approval and a qualifica-

## The international challenge

an interview with Dr Derek Fuller, Divisional Managing Director

THE COMPANY has undergone a massive

change in the last six years, says Derek Fuller, divisional managing director of Pera International. As many people who know the organisation will recognise, the turnaround originated from the appointment of the current chief executive, Ron Armstrong. The transformation in this period has been dramatic and remarkable: prior to Armstrong's arrival the company was in deficit, was running at a loss and was the epitome of a sleepy old style research association. The changes in organisation, people and culture have been dramatic. All of the directors and virtually all of the middle and senior management of six years ago have gone. These changes were not without pain and heartache; particularly in a people business like consultancy, however the changes have brought a financial nature and a new vibrant and dynamic atmosphere.

Like a number of people who have joined the company in recent years, Fuller came from another leading consultancy. Now responsible for all the professional services at Pera International's headquarters in Leicestershire, Fuller said that, like others, he was encouraged to join because of the strong position and the future potential. "Yes, Pera International has come an enormous way in the last few years but it still can and will go a great deal further. We are obviously getting something right," he said, "as while we see major consultancies contracting, no doubt as a direct consequence of the recession, we are in a period of probably the most aggressive growth that the company has seen." He went on to say that many areas of the operation were robust, rather than market limited and one of the biggest barriers to growth was the problem of finding good and experienced people.

The range of services is certainly diverse, with consultancy covering manufacturing, marketing, quality, and human resources, all working closely alongside a range of technical activities where new products and processes are developed for clients fully supported by extensive workshop and laboratory facilities. Although the range of activities is extensive, Fuller believes that, while continued success owes something to the ability to put together multi-disciplinary teams of experts to solve a client's problem, it probably has as much to do with a professional approach to all aspects of the business.

Membership services is yet another dimension to the business, and one which Fuller described as being akin to prepaid, short, sharp consultancy. Again it is an area that has seen significant growth in the last

development under consideration. While some of them belong to particular parts of the company, there is a common thread to them. They all address issues which Pera International believes will be central to clients facing even greater competition in future European and worldwide markets, and the company's objective is to be ready in time to help clients resist these pressures with new ways and methods.

## Something New?

Legislation that could be good for business



Recent changes in legislation and public opinion are placing unprecedented pressure on industry to clean up its operations and ensure that its activities are 'environmentally friendly'.

**the amount of 'greening' has to be equated against the costs of improvement"**

Some companies have responded better than others but in all cases the amount of 'greening' has to be equated against the costs of improvement. The government is moving increasingly away from the voluntary approach by industry to a legislative basis of control. Under the new Environmental Protection Act (EPA) there will be more stringent controls on the way waste products are discharged into the environment. Companies using processes that have

the potential to pollute will require registration and a licence.

To obtain a licence operators will be required to satisfy the regulating authorities that the Best Available Technology Not Entailing Excessive Cost (BATNEEC) has been employed to minimise pollution.

Accepting that the imposition of the legislation is onerous, Pera International is developing a process known as 'benchmarking'. This requires management to set objectives in environmental areas such as waste, energy usage, and recycling.

A seminar on forthcoming legislation will be held at Pera International in June. Aspects of the new regulations and details of schemes for funding will be available. To attend contact Anne Fennelly on 0664 501501.

## Eastern Europe: Back to the basics

### Human Resources Development

**Neil Whitter, Director of Human Resources, looks at opportunities in overseas markets.** JUST as the basic necessities of life, which Western Europe takes for granted, are scarce in Eastern Europe, then the basic understanding of how to run a business and train in its fundamental disciplines are equally rare. This is the conclusion of investigations carried out by Pera International's human resources division.

For some years Pera International has undertaken both management and skills training overseas, particularly in the Middle and Far East.

Now there is a surge of interest from Eastern Europe which is keen to learn the skills and expertise available in the West.

Pera International is working on a programme directed to the requirements of Czechoslovakia, Poland, and Hungary, which

will help these countries begin to address such concerns as pollution controls, improving the working environment, adopting modern production methods, and upgrading the quality of the goods that they produce.

In the face of pressures on investment in training, new attitudes to cross skilling and employee flexibility, managers in the West are brought up in an environment of competition. They respond to the effect of market forces upon their business as second nature.

To the majority of people in Eastern Europe the pressures are not only new, but in most cases outside their experience. It is not a case of transferring training courses from the UK and slowing down the time of delivery, it is much more fundamental.

Many people who have been brought up in the quota system even have great difficulty in understanding such everyday terms as

"the market place" let alone the "competitive environment". They do not understand business plans, nor customer orientation. A great many have no comprehension of management accounting, not even of the cost per unit manufactured, for example.

While this crisis is less public than the human one, it is nonetheless just as real and just as challenging – it is perhaps one of the biggest challenges the West faces in the 90s.



### HUMAN RESOURCE DEVELOPMENT

Every business is a people business. Investment in physical resources may make the difference between your company being less or more competitive, but the quality of your staff will determine whether or not you stay in business at all.

Pera International's consultants have a unique track record in the successful implementation of Human Resources programmes in over 4,000 companies. They can help you to develop practical strategies to get the best from your people both now and in the future by structuring your staff development in the way which is most cost-effective for your business situation.

They can advise on the most suitable training available and design practical programmes to help you to use new skills for competitive advantage.

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For more information please call Neil Whitter on 0664 501501.

## Advanced Materials: Putting European industry years ahead

WHILE the use of advanced composite materials is well known in high visibility items like carbon fibre racing car chassis, a quiet revolution is going on in less glamorous, but very important applications.

Composite materials in which a matrix of reinforcement, for instance carbon fibre, is combined with a resin substance represent one of the most exciting areas for new developments in engineering into the next century.

The materials' combination of light weight with strength means that their range of applications will certainly continue to grow. For the most part their use is currently in the aerospace industry and in sports goods.

found impact on industry making cars lighter, stronger and cheaper to build. Its importance is emphasised by the fact that it is receiving £1 million of support from the European Eureka programme.

Thus far composite materials have enjoyed only limited favour in the volume sector manufacturing business. While several well-known vehicles, such as the Renault Espace and Lotus Elite, have used composite bodies, it has proved difficult to employ composites in structural applications. The reason is that no fast and reliable techniques for fabricating structural composites have yet been developed.

Pera International has carried out work

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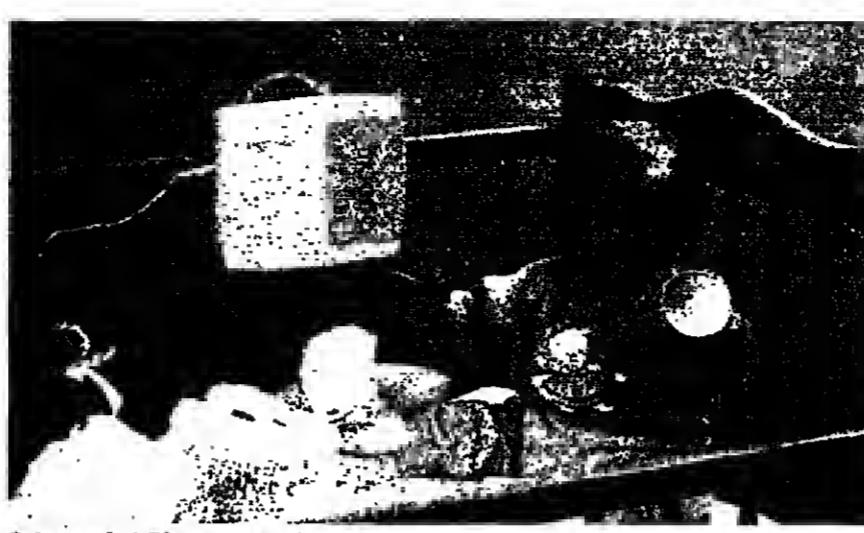
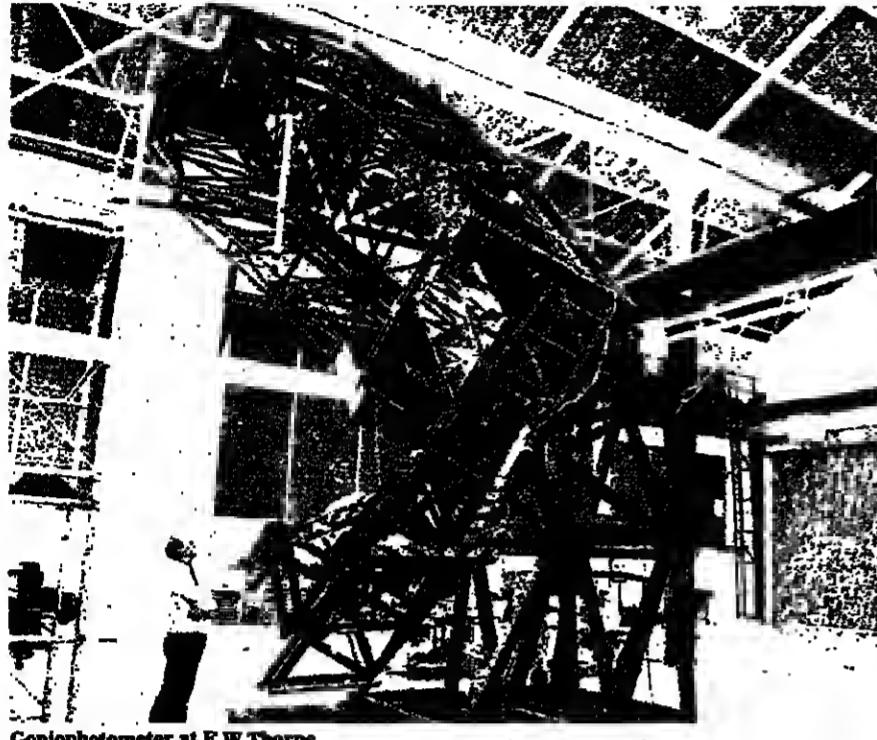
## Technology on the limits - saving time, lives and money

By Dr Duncan Hine, Business Development Director.

Managing any external resources is always difficult", says Duncan Hine, "and managing multiple external resources is almost impossible". Many companies discover this the hard way when they engage several organisations to act as specialist consultants on a new product design and development project. Hine, Pera International's business development director, argues that there is a better way -

engage a single, multi-disciplinary consultancy able to carry out all the required control. The benefits are those of tighter control, easier communication, more cohesive team work and greater accountability. Pera International's diverse resource base, says Hine, makes it ideally suited to provide precisely these advantages.

Several projects completed by Pera International over the last year illustrate



Babyguard: A life saver on test.

how successful this can be. The first of them involved the design and construction of a substantial piece of precision equipment called a goniphotometer for lighting manufacturer F W Thorpe of Redditch in the West Midlands. This device is an angular light meter used to test the performance of light fittings ranging from a 20 watt lamp to a 2000 watt floodlight. The machine measures the varying intensities of light at a large number of different points around the light source. It weighs several tonnes, is nine metres tall and has a rotating arm six metres long.

When the machine is operating a light sensor on the end of the rotating arm takes some 2000 individual readings from the light source. Pera International had to design the machine so that when disassembled all the component parts could fit through a normal-

sized set of double doors five feet wide by six feet high.

**"the most impressive statistic, however, is the degree to which use of the machine saves time"**

Perhaps the most impressive statistic, however, is the degree to which use of the machine saves time. Taking the necessary readings and processing the resulting data manually used to take F W Thorpe two to three days. That time has now been reduced to a similar number of hours!

A more recent project involves a device that could hardly be more different in appearance or function. The Babyguard is a

monitoring device intended to guard against the Sudden Infant Death Syndrome (SIDS), commonly known as Cot Death, which claims the lives of more than 2000 babies and infants in the UK every year.

A special sensor is attached to measure the infant's respiration without physical contact. Given the obvious attractions of a device which could help avert tragedy by alerting parents or medical staff to any abnormalities, considerable development work was required. The device's electronics and its appearance were crucial in an item intended for both the medical and domestic markets.

Solutions were created for both these major features by the team who also had to cope with several other demands, including ease of assembly and operation, low manufacturing costs and moisture resistance. The Babyguard is currently undergoing clinical trials, before volume

production begins.

Finally, Pera International has been working with the British Materials Handling Board (BMMB) to define better rules for ducts and vessels subject to potential air/dust explosions. Hine says this can arise in many situations and that current systems are over designed with a consequent waste of money and resources. The team has developed a methodology which will contain an explosion once without losing integrity. Deformation is acceptable, catastrophic failure is not.

Hine says the Pera International approach could become an industry standard of great use to Health and Safety Executive inspectors.

So, whether saving time or lives, the professional, multi-disciplinary teams from Pera International can generate impressive and timely solutions.



Explosion test: Courtesy of Dust Control Equipment, Leicester.

## World class performance through Total Quality Management.

Mike Farrish reports on TQM and its application at NatWest Insurance Services.

A people methodology", says Paul Spenley, "is the single most important factor to achieve and maintain competitiveness. Without one any other investment, whether in new technology or in streamlined procedures, such as Just-in-Time scheduling, may be completely vitiated".

Spenley is Pera International's director for quality. As such he heads up the organisation's quality management division, which has the task of helping client companies implement the most fundamental people methodology available - that of Total Quality Management (TQM).

Quite simply TQM is the means by which a company puts the emphasis on people. It requires all the individuals within an organisation to be motivated towards the goal of continuous improvement and be oriented towards meeting the needs of customers. Customers also mean other people within the same organisation and not just external purchasers of goods or services. TQM is therefore a never-ending activity.

**"A programme has a beginning and an end. TQM only has a beginning."**

This is why Paul Spenley stresses that TQM must always be regarded as a "process" and not a "programme". "A programme has a



beginning and an end. TQM only has a beginning", he says.

Instead Spenley stresses that TQM is very much about "performance measurement" - in other words about working towards realistic and quantifiable goals. Ultimately the success of TQM is measured by the performance of a company against its

competitors.

"Customers", Spenley notes, "carry out competitive benchmarking all the time".

Similarly many of the customer based targets a company must set for itself in pursuit of TQM will be non-financial, but they will definitely show in the company's financial performance.

But whatever the nature of the company TQM must enjoy full and informed support from the highest level.

"TQM", Spenley remarks, "starts in the boardroom".

After an initial review of the whole company Pera International's approach to TQM therefore moves straight on to a planning workshop with the main board of directors. This has the primary aim of getting the board to elucidate a "mission statement". The board must then also determine the company's key "business drivers", what it needs to be good at to fulfil the mission statement, and the "benchmarks", the parameters against which performance will be measured.

"Once the 'top team' is fully behind the drive for TQM", remarks Spenley, "half the problems disappear".

Continuous Improvement Teams (CITs), at middle management level, form a fundamental building block of the whole TQM process meeting regularly and led by the appropriate departmental management. In a TQM environment communication skills are an indispensable management attribute and must form an integral part of management training and coaching activities.

A significant benefit of implementing the team structure is that the devolution of much day-to-day problem solving to middle management and other staff leaves senior management with more time to think strategically.

gically about the company's future.

Spenley stresses the point by arguing that wherever possible all members of the workforce ought to be allowed to "set their own measures", in other words to set their own targets and standards.

"Indeed if you allow people to set their own measures they generally set themselves higher ones than any traditional management would dare impose", he says.

A one sentence definition of TQM might therefore be that it is a top-down initiative

**N**ATWEST Insurance Services (NWIS), the insurance broking arm of the National Westminster Group started out on the road to TQM with the help of Pera International early this year. According to managing director Stuart Frost the company felt that the service it was providing, while adequate, was not exceptional enough to meet the demands of an increasingly competitive marketplace. Nor was an existing quality programme delivering improvements quickly enough.

The company acted after hearing a presentation on TQM from Paul Spenley at its annual conference in the autumn of last year. Stuart Frost says that it was made obvious that a quality improvement process cannot be properly implemented without appropriate fundamental structures within an organisation. Paul Spenley also reminded his audience that the wastage rate in the financial services industry averages 40 per cent of turnover twice as much as that in the manufacturing sector.

NWIS had its initial top team workshop in January. The team comprises five members: Stuart Frost; deputy managing director, Steve Wells; the two assistant managing directors, Alan Chambers and Peter Meadley; and the head of quality service department, Roy Timmins. The team decided that the company's mission statement was "to enhance our position as an established and

profitable market leader in the insurance industry through being recognised as a centre of excellence."

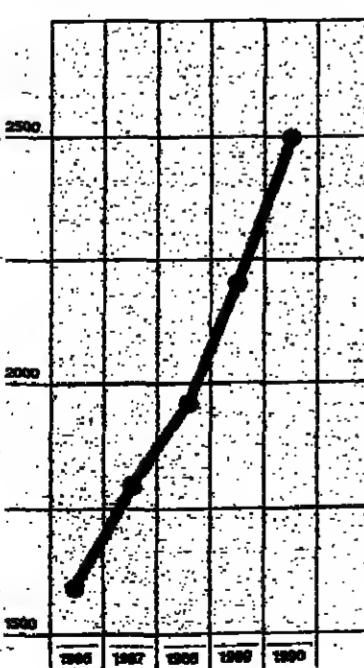
Following a thorough appraisal of the company's operations an implementation programme was agreed, one of the first steps of which has been a series of workshops for the 14 divisional and departmental heads. Three problem solving teams have also been set up to tackle vital communications issues in the areas of post, telephone usage and document retention - all key cross-company issues. A top team member has been given the job of championing each of these teams, so ensuring that no obstacles limit their effectiveness.

From the end of this month a further series of workshops will involve the 400 assistant managers and supervisors in the organisation. This will prepare the way for the introduction of continuous improvement teams led by members of this level of middle management.

Stuart Frost said, "The TQM campaign has already made it apparent that different individuals understand the nature of the business in different ways." There will continue to be a need to place great emphasis on the traditional measures of business performance, such as income, profits and costs, but in addition, service delivery standards, such as promptness and accuracy, will have to be seen as vitally important."

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## MANAGEMENT CONSULTANCY 6

## EASTERN EUROPE

**'New realism' sets in**

EASTERN EUROPE has moved swiftly from the tyranny of the bureaucrat's plan to the terror of the consultant's bill. While the Berlin wall was still being dismantled, a euphoric "gold rush" of western advisers began and is only just beginning to ease up.

Mr Michael Grunberg, managing partner of Stoy Haywood in London, says he recalls a flight from eastern Europe where he looked around in vain to find a single business executive. "The entire aero-plane was full of consultants," he says. "I sometimes wonder if a census in Budapest would reveal more foreign advisers than locals."

Price Waterhouse, the accountants and management consultants, decided to make an early start on the expansion eastwards in 1989, and has now established offices in Budapest, Moscow, Prague, Berlin, Bratislava and Warsaw. It expects to have to ride out several more years of investment before the operations become self-supporting.

"Consulting in Eastern Europe is not for the shallow of pocket or the faint of heart," says Mr Bruce Edwards, managing partner for Eastern Europe and the Soviet region. "Companies are mistaken if they think it's quick reward territory. We're not there yet by any means."

There are heavy question marks over whether the development of large permanent offices in the east have been far too ambitious. Much of initial impetus was fuelled less by grants from enterprises and governments within the east itself, and more by opportunistic companies in western Europe which were eager to set up joint ventures and possible acquisitions. As they have developed their strategy and built up expertise, some consultants say the demand for bought-in professional services has started to decline, though Peat Marwick says it remains a strong source of work.

A second tranche of funding has come from international funding sources, such as the World Bank, the EC, the new European Bank for Reconstruction and Development, and bilateral grants including the British "know how" fund run through the Foreign Office. These are becoming increasingly focused, although there appears to be a lack of co-ordination.

Only a modest amount of money for consultants has come from internally-generated sources, including governments and infant private sector businesses. Funds are limited, and decision makers are becoming highly selective.

The range of work is both broad and deep, with sectoral and strategic studies, privatisation work and restructuring alongside more conventional auditing, information technology and management assistance. Poland has been a common focus, reflecting the country's size and its regime's political commitment to transformation of the economy. At the other end of the scale is the USSR, an uncertain and very long term prospect for business. "We are there to provide lobbying and assistance, to be informed and present for when things do change," says Price Waterhouse's Bruce Edwards.

There was undoubtedly a period when small pirate firms took advantage of the booming consultancy market, offering expertise that they did not have. The list included individuals and small groups starting from scratch, as well as local companies which were originally set up to advise Western companies on how to establish a presence in the east.

However, one World Bank official involved in the region argues that many organisations paid a premium price and got sub-standard service from quality firms "because they could get away with it."

He says naivete is fading fast. He also questions the extent to which foreign companies know what they are doing and possible acquisitions. As they have developed their strategy and built up expertise, some consultants say the demand for bought-in professional services has started to decline, though Peat Marwick says it remains a strong source of work.

Nevertheless, Bulent Gulukin, professor of finance at the Wharton business school in Philadelphia, and principal adviser to the Ministry of Ownership and Transformation in Poland, expects a large increase in the volume of business for consultants in the country, including those from abroad. He says many local enterprises have good technical staff, but lack marketing and strategic skills.

He suggests companies trying to generate new customers should establish branch offices to reflect the decentralised level at which many consulting contracts are decided. They also should try to bring their own funding for projects with their governments to provide technical assistance grants.

Stoy Haywood's Michael Grunberg says contracts in Eastern Europe represent about 5 per cent of the firm's London office billings, but he would be reluctant to see that figure rise much beyond 10 or 15 per cent. "We don't want to place long-term reliance on it."

He says the key to winning contracts in the East is finding local partners, and keeping abreast of the priorities of the foreign funding agencies. His firm has concentrated on the transfer of know-how, for

example, and has launched a series of training courses in conjunction with the College of Finance and Accountancy in Budapest. The aim is to train local teachers who will in turn train others.

The Eastern European offices of those firms with a substantial physical presence have placed great emphasis on hiring locals. But while they are discovering people who can learn very quickly, Price Waterhouse's Bruce Edwards says it could take five years to train junior staff, and more than ten for top managers.

In the meantime, he argues, there is a need for expensive, highly skilled expatriate staff. The work requires multidisciplinary skills, sensitive handling of clients' expectations, and cultural problems. There are complicated operational problems, cultural gaps, and a vastly different understanding of business concepts.

Despite the difficulties, "the work is exciting and stimulating," says Mr Michael Littlechild, principal consultant at the strategy services group of KPMG Peat Marwick, which has offices in Budapest, Warsaw, Prague and Moscow, and plans new ones in Yugoslavia

and Bulgaria.

"We need to give the whole organisation a once-over and create very radical change," he says. So there is a need for a varied team of staff, and tight project management. The biggest problem is not the lack of information systems or capital, which can be dealt with relatively simply, but the absence of trained personnel in local enterprises.

Mr John Lindquist, a partner with the Boston Consulting Group in London and joint leader of its Eastern European practice, is keen to counter the stereotypical view that business is inert.

While it may take two to three years to turn a state company around, he says, it is not through lack of management, but rather a different set of priorities. There are often many quality controllers in place, for example, but using simple inspection techniques; there is also detailed cost information, but it is limited only to overall production figures.

Overnight they have to change from a monolithic, extremely concentrated business into an extremely fragmented one where you have to find customers," he says.

Consultancy in Eastern Europe is now moving into a third, more stable phase, according to Mr Lindquist. After the initial euphoria at the start of last year, and an overplayed pessimism during the summer, a "new realism" has set in to provide well qualified firms with good, steady business.

Andrew Jack

LOOK, FELLA'S, ALL I SHD WAS WE NEED TO WORK OUT A FIVE YEAR PLAN



and Bulgaria.

AFTER two buoyant years in 1988 and 1989 and a healthy start to 1990, the sector is now going through lean times. Turnover last year totalled an estimated FF50bn, up 8 per cent from 1989, according to the professional association Syntec Conseil. This estimate covers only firms with at least five consultants, and might double if independents were included.

This compares with an increase of 15 to 20 per cent in previous years, and will probably be followed by a growth of only 10 per cent this year, Syntec Conseil President Philippe Giraud said. It might seem ungracious to bemoan these figures when the sector shrank by 15 per cent in the UK last year, but leaving aside computer services, management consulting remains an activity of modest scale in France.

The downturn in the sector, accelerated by the Gulf crisis, has hit medium-sized firms particularly hard. The large established firms, such as market leader Peat Marwick and Andersen Consulting, claim to be holding up well, as

are niche players. Business started to pick up in March and April, commented Gerald van Kemmel, managing partner for France for Andersen Consulting and chairman of the firm worldwide.

Like elsewhere, the nature of the work has changed in France. Customers now opt for operational projects with quick results, rather than long-term proposals with heavy investment, Mr Giraud said. "Companies have adopted a wait-and-see attitude towards investing, and want to ensure their survival first."

In some cases, customers insist on a pilot scheme before introducing them throughout the company, said Michel Navarra, a partner of Peat Marwick Consultants. "These days, consultants have to be pre-

## FRANCE

**Things are tight**

pared to roll up their sleeves and actually work on operation projects themselves," he said. Like Peat Marwick is betting on a 20 per cent rise in turnover this year.

This shorter-term view means strategy specialists are going through a rough period. Andersen Consulting predicts this area will expand by only 5 per cent in France between 1990 and 1994, against 10 per cent for management/organisation and 15 per cent for computer services.

Opinions may be divided over the outlook for computer services firms. But no one disputes the fact that government and public sector enterprises represent the best prospects for management consultants. Cost-cutting and efficiency have become high priorities for the

public sector.

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"Contracts are easier with the Germans; the British still have

not chosen between Europe

and the US," he said.

state-owned rail system SNCF, and the utility Electricité de France (Edf). Syntec is talking of an increase of about 15 per cent for the public sector, way above average.

For Philippe Peay, Peat Marwick's managing director, demand is strongest from the public sector, services and industry, in that order. Local authorities and hospitals have also become good customers, he said. Decentralisation in France, which began in 1982, has brought local authorities on to consultants' books as they are in charge of some own spending and have had to turn to consultants with conflicting priorities of cost and public service.

In the search for better quality, companies at one time rushed to establish Japanese-style quality circles. But that fashion is over. "The problem was that although the circles existed, the management philosophy to go with it did not," said Mr Peay.

Now manufacturers are more concerned with design-to-cost both for products computer systems, and shortening the product development cycle. They are also concentrating on motivating personnel, and zero stock defects, Mr Giraud said.

As for Europe, Mr Peay has some harsh words to say about UK counterparts. Peat Marwick is expanding in Europe and would like to acquire a firm in Britain, but finds firms are not deeply committed to Europe. "Contracts are easier with the Germans; the British still have not chosen between Europe and the US," he said.

Barbara Cassasus

## ITALY

**Slick multinationals compete**

"PAR FROM being a victim of the economic slowdown, management consultancy continues to grow rapidly in Italy," says Roberto Timo, Bain, Cuneo e Associati.

Bruno Ricca, president of Andersen Consulting, shares this optimism, forecasting an increase in his firm's fee income of between 30 and 35 per cent in the current year.

This expansion is due partly to growth in the demand for management consultancy services in a market that has not yet reached maturity, new clients continue to discover the consultancy option for resolving business problems. With the narrowing of the culture gap separating Italy from northern Europe and North America, encouraged by the change from first to second and third generation ownership of family firms, Italian business is increasingly willing to commission outside expertise.

The growth being enjoyed by the big consultancy firms is also partly caused by structural changes in a market characterised by considerable fragmentation. While numerous sole practitioners and small management consultancies are still a feature of a market in which there is only a handful of firms of significant size, this is changing.

Concentration in management consultancy is under way, Italian clients are now seeking greater professionalism from their consultants and the quality assurance that is offered by large, structured firms.

"The trend favours large international firms," says Mr Ricca. He expects, however, that niche consultancies will continue to have a role.

Andersen Consulting is successfully riding the trend. Indeed, some management consultants consider that the firm has been setting the pace in Italy over the past two decades. With 950 staff led by 33 partners, Andersen Consulting is Italy's biggest management consultancy firm, significantly outstripping all its competitors. Fee income amounted to £102m (£46.55m) in the year to August 1990.

Operating from 7 offices, all in northern and central Italy, with Rome being the furthest south, Andersen Consulting offers a service that embraces the strategic, operational, technological and organisational aspects of the businesses of its clients. Reflecting its audit practice, initially most of Andersen Consulting's work was concerned with accounting and financial systems. Links with the firm's audit side have since become tenuous.

Andersen Consulting's work is divided almost equally between industry and the financial sector. About 6 per cent of its fee income is generated by projects undertaken for public sector clients. "Recognition of the need for greater efficiency in public services will lead to an increasing amount of consultancy work being commissioned by Italy's state utilities," predicts Mr Ricca.

However, he considers the opportunities in local government and municipal services will be slow to develop.

The company is heavily involved in information technology, including detailed analysis and software programming. Some Italians in the field consider, however, that software work is not part of real consultancy business. Others would exclude highly focused firms, like those specialising in

**PROFILE: KPMG Peat Marwick Consultants**

LATER this year, the Italian firm of KPMG Peat Marwick Consultants will open its seventh office. Reflecting significant expansion and expectations of continuing strong growth, the firm will have added four provincial offices to its network in the past two years. The new office in Naples will follow the establishment of offices in Bari and Palermo last year and Bologna in 1989.

"A permanent presence is needed in order to serve medium-sized clients. The type of work undertaken for frequent, relatively brief contacts and these would be difficult to arrange and much more costly if made on a staff from our main offices in Milan and Rome," says Franco Maseri, partner in charge of the Rome office.

Mr Maseri has been with the firm since 1980, experiencing the boom that took the payroll from 10 to the current level of 100 professional staff.

The 80s were exciting years, particularly the end of the decade when growth was explosive. "Four years ago KPMG Peat Marwick employed 25 professional staff. Now it is well beyond the critical mass," says Mr Maseri.

"We do not expect dramatic changes over the next four to five years, but we are forecasting real annual growth of around 20 per cent, which will cause a doubling in size," he says.

This is clearly good news for the 30 managers, whose prospects of joining Mr Maseri and the other 5 members of the partnership are considerably enhanced. Promotion hopes are good also for the firm's 30 senior and 35 junior consultants.

Mr Maseri admits, however, that his firm may face problems in staffing the growth, partly because of competition from other firms in recruiting high-fliers with one or two years' experience.

"One resource is highly qualified, around 20 per cent holding Italian masters degrees and a further 20 per cent holding masters degrees from leading foreign universities," he says.

"We look for two qualities when hiring: motivation and flexibility. But these are precisely the qualities that lead to mobility and create problems in retention. Our staff have very high career expectations."

Consultants are normally promoted to managerial level at about 30, and the usual age of entering the partnership is 35.

Expectations are encouraged by salaries that are significantly higher than those enjoyed by other graduate employees of similar ages. KPMG Peat Marwick pays its senior consultants between £45m and £70m annually,

aggressive performance eroding McKinsey's position.

Until two years ago McKinsey enjoyed a comfortable, almost uncontested, place. This was upset by the resignation of Gianfilippo Cuneo after 22 years, to create his own firm, and to join with Bain to form Bain, Cuneo e Associati. Some of McKinsey's best consultants left with him.

He considers that management consultants can only guarantee confidentiality by not working for clients whose interests do not conflict.

"Whereas McKinsey is willing to work for two or more competing clients, we only undertake assignments for one client at a time," he says.

Moreover, Mr Cuneo believes McKinsey's US parentage leads to US clients being given precedence over Italians. The association with Bain avoids this while at the same time offering the benefits of a global network.

In the two years since it started, Bain, Cuneo e Associati, which now employs a staff of 60 consultants, has established a dominant position in giving strategic advice to Italy's leading industrial corporations. It is now turning its attention to the financial sector, where McKinsey still holds a dominant position in board level consultancy.

McKinsey is also being challenged by the accounting-based management consultants like Andersen Consulting and KPMG Peat Marwick, and so too is Bain. "Our involvement in M&A and increasing activity in feasibility studies and other strategic consultancy is bringing us into direct competition with McKinsey," says Franco Maseri, partner at KPMG Peat Marwick Consultants.

These challengers are highly competitive on fees. The average daily rate of a consultant from KPMG Peat Marwick is £1.5m. At Andersen Consulting, fees depend on the type of work, itself a function of the staff qualifications and experience. The firm's clients incur average daily fees that range from £2.5m on top level strategic planning studies to £1.0m for implementation of information technology projects.

Bain's policy is not to discuss fees. But given consultants' salaries that are conservatively estimated as one third higher than those paid by the accountancy-based management consultancies, and the fact that the work undertaken by Bain and McKinsey is always at the top end of the market, their average daily fees are probably from £4m.

Having broken through the critical mass barrier and established itself as a leading player, independently of its audit connections, what is the firm's strategy for the 90s?

Alongside territorial expansion, KPMG Peat Marwick has also been focusing on some specific niches. About three years ago it targeted M&A, and this has since become an important area both for image creation, with the firm winning a high profile position, and for work with M&A services generating about 15 per cent of turnover.

More recently KPMG Peat Marwick has formed an alliance with Citicorp to provide services to assist Italian banks in responding to the Amato Law.

Mr Maseri attributes the firm's quick progress to two characteristics: "rigorous professionalism", and "accurate focusing on key sectors".

Fierce competition and growing client awareness and sophistication should ensure the quality of management consultancy in Italy will continue to improve. "The consultant must be increasingly creative and business-oriented, as only in this way will he be able to give significant

## MANAGEMENT CONSULTANCY 7

## SCANDINAVIA

## Recession deals the local industry a body blow

INDEVO, one of Scandinavia's leading management consultancies, is confronting problems of the sort it is normally paid by others to solve.

Its bid during the 80s to become a power in the European consultancy sector proved unsuccessful, while a diversification of its activities also ended in failure. Its owners were then forced to file for bankruptcy protection after the collapse of Indevo's proposed merger with Bain & Co last year burdened them with debts of £100m.

Mr Ulf Hubendick, the Indevo president, believes however that the firm will prosper, although as part of a big international consultancy group. He predicts Indevo will have been sold by the end of the year, which will solve the owners' debt problems.

"We are optimistic about the future," says Mr Hubendick. "He says Indevo made a profit

Several leading firms have filed for bankruptcy, and more closures are expected

of SKr27m (£2.7m) during the first quarter, after suffering a loss in 1990, despite the recession that is gripping Sweden.

Other management consultancy firms have not been so lucky. Several leading firms in Sweden have filed for bankruptcy, and more closures are expected.

While the market for management consultancy services in Sweden grew by an annual

size of the Swedish market, has also fallen, with the most severe downturn occurring in Finland, which has the worst performance in the region.

Indevo became the largest management consultancy firm in Sweden, claiming a fifth of the market.

In its roster of Swedish multinational companies fuelled ambitions for Indevo to expand into Western Europe and challenges such international consultancy firms as McKinsey and Booz Allen. "We wanted to be the European competitor to the big US companies," says Mr Hubendick.

Indevo decided to raise capital by being listed on Stockholm's over-the-counter market. It also diversified into other sectors such as executive recruitment, corporate advertising and corporate finance to achieve positive cash flow.

But expansion into Europe proved more difficult than

including Asea and Saab-Scania, as well as such state agencies as the Post Office and the Swedish State Railways. Indevo became the largest management consultancy firm in Sweden, claiming a fifth of the market.

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But expansion into Europe proved more difficult than



expected. Indevo's initial strategy of establishing its own offices in cities including Oslo, Helsinki, London, Zurich, Brussels and Madrid, proved expensive, and returns on the investments were slow. Indevo then sought to buy

other consultancies in Europe, but its efforts were frustrated by high purchase prices. In addition, some European consultancies expressed reservations about being bought by a Swedish firm. "We were regarded as coming from a peripheral part of Europe that was not even a member of the EC," Mr Hubendick recalls.

Indevo suffered a further setback in 1990 when its planned merger with Infina, a Swedish financial group, collapsed. The merger was designed to help support Indevo's international expansion, but Infina finally balked at the size of the investment.

Infina's withdrawal from the venture forced Indevo to consider its plans were too ambitious. When Bain & Co in May 1990 offered to buy Indevo in order to establish a presence in Scandinavia, the Swedes accepted. "Our attitude was, if you can't beat them, join them.

We saw the merger as achieving our goal of being part of a global network," says Mr Hubendick.

But mounting financial problems for Bain forced the US firm to pull out of the deal six months later. This created financial difficulties for Indevo's 80 partners, who had staged a SKr310m management buy-out of the firm a preliminary step in transferring ownership.

"We diversified so much that we lost the focus ... We are returning to basics."

He acknowledges Indevo tried to expand too quickly. "We are not superman. We took business risks like any company and we simply did not succeed. As I tell my clients, it's OK to make mistakes. What is wrong is not to correct them."

John Burton

## GERMANY

## Chipping away at mountainous problems in the east

"NEVER," says Mr Werner Knetsch, "was the use of consultants so much in demand and so necessary as in connection with the economic integration of Germany's new eastern states."

Anyone who has even an inkling of the problems associated with sorting out the chaotic economy of east Germany and aligning it to western standards will know what Mr Knetsch, head of the new Berlin office of Arthur D. Little, the US-owned management consulting firm, means. As the Ild was taken off the rigidly planned East German economy after the border was opened in November, 1989, the true and wretched state of the country's industry emerged: an underdeveloped and overloaded infrastructure; acute cost overrunning; an un believably high level of vertical integration; a weak service economy; poor productivity; and an almost total lack of management, marketing, and financial skills.

Money, management skills, marketable products, confidence are missing

Even companies which were not starved of funds - most had to rend all profits to the east Berlin government, receiving only a tiny proportion back - and could thus invest, find the going tough. Mr Schwarz cites the case of a diesel-engine maker which had spent heavily on new plant, but of a kind which no west European company would now build, namely an assembly line

tant to show initiative and take risks.

"It is a very rigid, inflexible system," says Mr Wolfhard Schwarz of Hartmann & Partner, a Düsseldorf consulting firm which has set up in the east German town of Erfurt. "Where any other company would not have thought twice about ordering parts and materials from a western supplier, they had to make everything themselves." This led to vast overcapacity of equipment and jobs, the reduction of which is causing painful social problems.

Even companies which were not starved of funds - most had to rend all profits to the east Berlin government, receiving only a tiny proportion back - and could thus invest, find the going tough. Mr Schwarz cites the case of a diesel-engine maker which had spent heavily on new plant, but of a kind which no west European company would now build, namely an assembly line

where sections were inflexibly linked together.

In cases like these, the only option is to sell the equipment through foreign contacts. India is likely to buy some of this company's machinery. But even if operations can be streamlined and products made acceptable to the west, huge job cuts are needed at east German companies.

However, it is not simply a matter of struggling to turn companies around, or at least those with a chance of surviving. Mr Tom Sommerlatte, the European managing director of Arthur D. Little, based in Wiesbaden in west Germany, argues for a more forward-looking approach.

Unlocking the real performance potential of east German companies is a much more challenging and necessary task, he said at the recent opening of the Berlin office. It involves the development of regional economic structures within which firms can thrive.

That they would have a stake in their future growth.

Berger, based in Munich, has set up a Berlin office to co-ordinate its business in east Germany. For some types of company, Mr von Keller sees fairly bright prospects. These are in fields where local presence and contacts are essential, as in building and ser-

vice. "The management potential is there, or it can be provided through buy-ins."

East Germany, he reckons, is not a suitable paradise ground for the pure market economy".

This broader approach involves the transfer of know-how to the east, with universities and research bodies playing a part, as well as the forging of partnerships between manufacturers, sup-

pliers, and service firms. In Mr Sommerlatte's view, it also requires not only the privatisation of east German companies through their sale to west German and foreign concerns, but also the return of many to their former owners, and the sale of others to their managers.

The idea of management buy-outs is gaining ground in east Germany. Hartmann's Mr Schwarz feels management buy-outs offer a way to future corporate prosperity, noting that the Trenthand, the east German privatisation agency, is now keen on such ventures.

In the view of Mr Engen von Kellner, a partner in Roland Berger, the German consultancy owned by Deutsche Bank, management buy-ins

are on the rise. "The management potential is there, or it can be provided through management buy-ins."

Some companies, like Badenberger, already have a well-known name and good managers, he points out. Others have found competent managers from the ranks of middle management - in most cases, the top level is hampered by past political and economic mistakes - and also have good technical people.

The real problem areas are heavy industries like shipbuilding, mining, and steel. Here, real corporate survival specialists are required, and these mostly have to come from the west. For sectors like electronics, chemicals, and textiles, the collapse of eastern European markets has been a

blow, but better products and more imaginative management and marketing can make a big difference.

Mr von Keller cites the examples of two textile companies that Berger is advising. One, making curtains, has a name in the west and could be in profit next year. The other, producing materials, has already cut its workforce by half and will be to shed more workers; its new range has led to rising orders, but break-even is two or three years away.

Although management capacity is in short supply in the east, firms like Hartmann and Roland Berger have tried to recruit east Germans as consultants. Hartmann took a nucleus of six people from a local unit of the big Robert Bosch electronics concern for its Erfurt operation. "You can't just send in managers from the west," says Mr Schwarz. "They don't have the feeling for local conditions. They are seen as know-all."

As Mr Knetsch pointed out in Berlin, east Germans' experience with consultants has not always been favourable. "Pseudo-consultants" flocked eastwards to earn quick D-Marks. Some are still around, but it is the heavyweights and specialists among the consultants that are now most needed in the east.

Andrew Fisher

## SPAIN

## Much catching up to be done

IN THE second half of the 80s consultancies became the trendiest professionals around in Spain and consultancies started to spring up like mushrooms on Castile's mountain range after the first autumn rains.

Andersen Consulting, a by-product of Arthur Andersen, had 1,400 consultants three years ago, has 2,370 at the latest count, and continues to hire 300 graduates a year. Small, specialised firms such as Harper and Lynch were one-person shows in 1988. That firm now founds Kanzil Goharriz, now employs 40.

"The management consultancy market here is still immature, and the potential is huge," says Manuel Balmaseda, chief executive in Spain of the US-based Hay consultancy group. Working the human resources niche, Hay's turnover has increased from \$2.6m three years ago to an expected \$6.5m this year, and it has tripled its staff to 70 consultants.

The demand for expert advice goes right across the board of the consultancy business, and the common theme is that there is a lot of catching up to do. "Spain has an antecedent arrived late to everything and now suddenly it wants to get in early," says Jose Luis Carrascosa of Andersen Consulting. "We are a tortoise that is becoming a hare."

Domestic business was roused from its slumber when Spain joined the European Community in 1986 and was startled out of bed when foreign firms made Spain a favoured investment target.

European membership and now the prospect of the single market has changed the goal posts on the playing pitch of Spanish business, and the play-

ers need new trainers to teach them the new market rules. "When there are great discontinuities, drastic changes such as the new European environment, there are typically important opportunities for those who offer outside expertise," says Marcelo Campos Calvo Sotelo, chief executive of McKinsey in Spain.

Europe was a catalyst. Suddenly a business discovered that a French company was opening up next door and that a German firm had acquired one of its rivals," says Asociación Martin-Oror, the senior industrial marketing executive at Sofimex, the Spanish arm of France's Sofimex. "Overnight, the Spanish business faced new products and new publicity strategies that threatened its livelihood and so it came to people like us to sort out its problems."

The auditing branch of the consultancy business has boomed because the implementation of EC directives has forced domestic firms to professionalise their balance sheets.

The introduction of information systems is a second high growth area and a company such as Anderson Consulting can have as many as 100 of its partners spending at least a year permanently seconded to a firm that is overhauling its hardware.

Companies specialising in broad business strategy have found rich pickings in an environment marked by mergers and acquisitions and where, as one senior consultant put it, "there is still everything to be done". McKinsey, "discreet about its operations, admits to a consistent and sustained growth of its business in Spain.

Arguably the most creative

and most complex area of the consultancy market in Spain concerns human resources.

"There is real leverage to be gained simply from transferring management skills from north to south," says Anthony Pralle of the Boston Consulting Group. "There is a big demand from firms which want to know how things are done in Europe and consultants who can provide comparisons a lot to offer."

Skills and tricks, ranging from the introduction of new products to the market segmentation of existing ones, can pay immediate dividends.

The complexity sets in when firms and their consultants face up to the rigidities of a managerial tradition in Spain that is the antithesis of the flexible and decentralised management of the 90s. Employees in general adhere to a highly regulated system of job classifications and also to extensive labour laws that protect against dismissals which evolved during the Franco period of economic autarchy, and have stoutly lived on in a

new democratic and market-oriented climate.

"You are up against changing a corporate culture that revolves around what you do and not how you do it," says Enrique de Muñoz, the human resources expert at the Hay group.

Salaries in Spain are structured to the person and not to his/her seniority and not to the job. Job evaluations and performance appraisals, incentives and bonuses are all new notions in the Spanish environment.

While the pace of foreign investment in Spain may have ebbed, the consolidation of such acquisitions requires considerable industrial relations expertise.

"Middle management, where you find people anchored to their jobs and protected by a legal system, is very problematic," says Kambliz Goharriz, chairman of Harper and Lynch.

"There is a terrible inertia and you come across firms that have their hands tied because they cannot afford the demand of financial payoffs."

The firms that call in outside help find a second problem when it comes to meeting the fees that govern the consultancy business. Hay's chief executive, Mr Balmaseda, stresses that the future of the consultancy business depends on one level on changing what is necessary for expert advice into a demand for it. On another, it rests on the ability of the consultants to improve the quality of their services.

The onset of 1993 should step up the demand, and the growing segment of consultancies should, because of the sheer weight of its number, lead to increased competitiveness and improved services.

Tom Burns

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## MANAGEMENT CONSULTANCY 8

Christopher Lorenz on a controversial thesis

## Management of change

ASK almost any company, successful or stumbling, to say which issues are at the top of its priority action list for the '90s, and it will declare that one of the highest is nothing less than the transformation of its corporate culture, organisation and behaviour. Such an all-round revolution is needed, it will argue, in order to cope with faster-moving competition, and other accelerating changes in the business environment.

Naturally enough, more and more consultancies and training organisations are also pounding into the "change management" field as fast as they can go - only this week Ashridge, the British-based management education organisation, announced the formation of an "international institute for organisational change", based in central France.

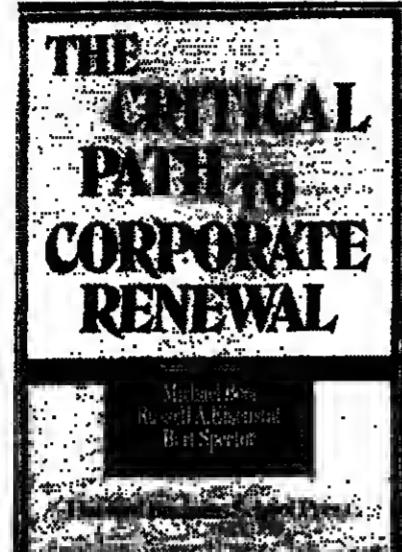
Quite a number of individual academics are also "converting" to the topic: not just specialists in organisational behaviour and human resources, but also strategy experts. Some of them, at least and elsewhere, are internationally renowned, but not all: one does not need a first-class mind to spot both a huge consulting opportunity and a fascinating subject for study.

So it is not surprising that a book which appears to challenge most conventional wisdom about the management of corporate renewal has caused quite a stir in its home territory of the United States. Europe, too, has been feeling its first ripples since an article based on it appeared in the Harvard Business Review just before Christmas. At almost any seminar on change management this year, the book has proved a controversial talking point.

On close inspection, however, it is not quite what it seems - nor what the authors, academics Michael Beer, Russell Eisenstat and Bert Spector, have claimed it to be.

Beer and company certainly summarise their message at the start of the book in eye-grabbing fashion. They claim that:

Starting corporate renewal at the top is a high-risk revitalisation strategy not employed by the most successful companies.



upfront statements. For instance, having castigated top-down "programmatic change", the authors go on to say that they mean that company-wide programmes are useless or even harmful "in isolation" - that these can play an important role, but that they need to be "offset" by interventions at the level of individual business units.

In other words, the book's definition of "programmatic change" is so narrow as to limit the validity of much of its criticism. Reading the book with care, one suspects the authors have indulged in the creation of "straw men" arguments in order to grab attention and make headlines. Either that, or the average American company (their target audience) is more prone to simplistic change programmes than its European counterpart: to the latter, much of what the book argues, in its fine detail, will seem commonsensical.

This is not to gainsay the book's value, as a comprehensive aide-memoire, either to a company already in the midst of change, or one contemplating how to spark such a process.

Its most fundamental point strikes at the weakness of most existing change efforts: their reliance on altering people's behaviour by first changing their knowledge and attitudes.

In reality, the authors argue forcefully, the key to successful revitalisation is a redefinition of work roles, responsibilities and relationships, in order to align them with the main competitive challenges of the business. This "task alignment" (realignment) would have been a more precise word for this concept, which runs like a leitmotif through the book) will force new behaviour on people, thereby changing their attitudes.

"Task alignment" differs from programmed change partly in that these changes are made without first modifying the organisation's formal structure, say Beer, Eisenstat and Spector. In this they echo an emphasis on informal reorganisations which has become a running theme of management literature in the last few years.

A second very useful insight is the

book's secondary leitmotif, of three Cs: co-ordination (the need for cross-functional teamwork if an organisation is to find, and act quickly upon, opportunities to improve the cost and quality of its products or services); commitment (throughout the organisation); and competence (again universal).

There is also considerable merit in the book's advice to top and senior managers on:

- How to create a climate for change;
- How to mobilise energy (with a so-called "velvet glove" that looks mighty heavy by the standards of participative European companies); and
- How each leader or manager can develop a mixture of "hard" and "soft" behaviour which is convincing, rather than inconsistent.

Two other helpful maxims are tucked away deep inside the book. First, that "to follow the critical path successfully, an effective leader must be clear about ends but flexible on means". Second, that at any level of an organisation, "revitalisation occurs only when there is a consensus among key organisational members that its benefits outweigh its risks".

Principles such as these are just as applicable in organisations with a considered, differentiated approach to renewal as in those which have fallen for the Beer trio's *blé noir* of crudely "programmatic" change.

But one's caveats remain. Especially irksome is Beer and company's apparent provision of carte blanche for corporate top managers not to bother, in the early phases of renewal, to force themselves to practise what they preach (a precept which for years has been deemed fundamental to change management). The book later makes clear that this degree of latitude applies only to corporate management, not the heads of divisions or business units.

Moreover, having declared that renewal can hardly ever be successful if initiated from the top, the authors go on to concede several times that this is perfectly possible, provided the top has the sense to plant the initial seeds of change in selected units far from head office, rather than blundering right across and down the organisation in a fully frontal fashion.

"Any one of the (corporate) actors can begin the process of revitalisation", just so long as each recognises its own limitations, the trio concludes.

*The Critical Path to Corporate Renewal* by Michael Beer, Russell A. Eisenstat & Bert Spector. Harvard Business School Press. £19.95 US\$29.95.

Wilf Altman looks through the literature

## What's new on the bookshelves

## Competent to Manage

by Mick Silver, ed. (Routledge, £35.95). Contributions by 22 top managers, academics and consultants combine to underline the scale of the problem of training for managers and entrepreneurs examined in this book, and "the luck of the draw" for those who benefit from the right mentors. Yet how can any formal management training teach innovative, entrepreneurial and creative skills?

Professor Charles Handy's conclusion is that Britain's development of managers is still a muddle. There is much that is good in what is currently done, but there is no clear pattern of consistency. It is hard for a young man or woman to know how best to prepare themselves for a business career or for management; it is hard for a firm to know what they should expect by way of pre-entry preparation and what they should do thereafter to help someone develop. Because it is unclear, too many young people and too many firms do nothing."

## Entrepreneurship Education

edited by Calvin A Kent (Greenwood Press, £35.95) affirms that although Britain's diverse routes and views on training for management are almost clear cut compared to the profusion of entrepreneurship education programmes in the States, the same critical attitude permeates the debate. A veritable explosion of courses aims to develop an entrepreneurial attitude at all stages of the educational process.

A notable contribution argues whether the views of Austrian economists Schumpeter, who equated entrepreneurship with innovation on the grand scale, *à la* Rockefeller and Morgan, would have been appropriate today when a process of incremental innovations rather than giant leaps forward is needed.

The result is a fascinating study of management at Shell Oil, Apple Computers, Hanover Insurance, Hotpoint, Creda, Thoma and others. The aim is to broaden the definition of intelligent corporate thinking and action to include more than technical rationality "which tries to identify the most logical and efficient means to achieving the goals set for the organisation".

## The Employee Revolution

by Kevin Thomson (Pitman, £24.95). Just what, it may be asked, is corporate internal marketing? Thomson's explanation is that "just as external became an accepted part in business practice, so will internal marketing take its place in successful organisations within the next decade".

The concept of corporate internal marketing is that highly sophisticated marketing techniques normally targeted at external customers - to persuade them to buy a product or service - can be used to great effect on employees. This dramatically improves their understanding of an organisation's objectives, plans and action, thus raising motivation and productivity, reducing staff turnover and absenteeism, creating better teamwork and less resistance to change.

Will marketing directors rather than personnel executives now seek to win the hearts and minds of the newly enlightened workforce?

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## INTERNATIONAL COMPANIES AND FINANCE

## Allied-Lyons confirms its commitment to brewing

By Philip Rawstorne in London

ALLIED-LYONS, the UK drinks, food and retailing group, yesterday set out its new management strategy in an effort to restore investor confidence shaken by the \$147m (\$954.3m) loss on its foreign exchange dealings earlier this year.

Mr Tony Hales, who takes over as chief executive in July, ended months of speculation by announcing that the group would remain in brewing.

At the same time, he sharpened the focus of Allied's food operations by announcing that Lyons Maid, its ice-cream business, and Sapori, its Italian bakery business, would be sold.

The appointment of a new group finance director is expected in the next few weeks. A

short-list of candidates has now been compiled.

The news, combined with a solid underlying trading performance revealed yesterday in the group's annual results, would reassure institutional investors, said analysts.

They suggested that the decisive approach of the new management team, to be headed by Mr Michael Jackman as chairman, would help restore confidence.

Some remained sceptical, however. Further evidence would be needed to judge the effectiveness of the new style, they said.

The market generally expects pre-tax profits this year to climb to \$680m-770m, and Allied's shares closed 2p up on the day at \$52.

The group had examined a number of options for its brewing operations, including disposal of the breweries and a variety of alliances. None generated the same value as continuing alone.

Allied's beer brands, brewing efficiency, and distribution network offered good profit growth potential and the brewing business generated strong, stable, positive cash flows - a performance measure which will be given additional emphasis, the company said.

Compliance with government requirements to free 2,300 jobs from tied supplies was on target, he said. Some 660 had been sold and leases agreed for more than 400.

Lex, Page 18; Results, Page 28

## Procordia rises 10% to SKr976m for quarter

By John Burton in Stockholm

PROCORDIA, the Swedish food and pharmaceutical group, yesterday reported that profits after financial items rose by 10 per cent on a pro forma basis to SKr976m (\$158m) during the first quarter of 1991, while sales rose 9 per cent to SKr9.37bn.

The result, which was expected, reflected progress in restructuring the company, primarily in the health care sector. The former state held company Procordia was merged last year with Proventor, the food division of Volvo, and Pharmacia, the pharmaceutical company controlled by the Swedish car maker.

Procordia said profits will exceed SKr3.5bn in 1991 against SKr2.08bn in 1990. The health care sector posted a 12 per cent increase in operating profit to SKr363m during the first quarter as sales climbed by 8 per cent to SKr4.54bn.

This reflected a 22 per cent jump in operating profit for Kabi Pharmacia, Procordia's biggest subsidiary.

Operating profit fell, however, for the food group, Procordia's largest product sector, by 4 per cent to SKr366m, although sales rose by 12 per cent to SKr4.88bn.

## L'Oréal agrees to German deal

By George Graham

L'ORÉAL, the leading French cosmetics group, has agreed to take over Dralle, the last independent German haircare products company.

Haarskosmetik und Parfümerie, L'Oréal's principal German subsidiary, will take over the capital of Dralle from the Breckwoldt and Dralle family shareholders.

Mr Frank Breckwoldt, chief executive of Dralle, had previously spoken of a stock market listing for the company, but German commentators suggested that pressure on earnings and the need for capital to invest in the hairdressing chain had prompted the family to sell out to L'Oréal.

His departure, announced yesterday, indicates that Mr Jacobs intends to run Adia

## M and S lifts profits 2% to £615m

By John Thornhill in London

STRONG growth in continental Europe helped offset recessionary markets in the UK and North America, enabling Marks and Spencer, the food and clothing retailer, to lift annual pre-tax profits 2 per cent to £615.5m (\$1.06bn).

An exceptional charge of £16m relating to the costs of the UK company's recently announced redundancy programme pegged taxable profits which would otherwise have advanced by 4.5 per cent. The figures were much in line with City expectations and the shares tumbled 1p to 257p.

Mr Richard Greenbury, who last month succeeded Lord Hayter as chairman, gave a brusque and disarmingly open presentation of the company's prospects, but said he could not see an early end to the current recession in the UK.

Clothing sales rose by 2.2 per cent during the year with lingerie, underwear, hosiery and socks showing good gains. Tailored garments were badly hit as were sales of home furnishings and furniture. Food sales were 6.9 per cent ahead.

"We think we are in for a longish, hardish, toughish time," he said.

In the year to March 31, group sales rose by 3 per cent to £5.77bn from £5.61bn, but operating profits were almost static at £633.5m against £627.7m. Profits were lifted by interest receipts of £13.3m compared with a payment of £3.8m the year before.

Sales in the UK and Eire stalled sharply in the second half of the year but operating profits still rose to £603.1m from £597.6m.

Clothing sales rose by 2.2 per cent during the year with lingerie, underwear, hosiery and socks showing good gains. Tailored garments were badly hit as were sales of home furnishings and furniture. Food sales were 6.9 per cent ahead.

Turning to North American operations, Mr Greenbury admitted that M and S had probably paid too much for Brooks Brothers, the upmarket US clothing business. It was acquired in 1988. He told analysts and journalists alike: "You were right; we were wrong."

But he emphasised that M and S had invested heavily in Brooks Brothers and now only needed to improve its computer systems. "It is fundamentally a business that can be developed and driven... We will get it right in the same way we got Europe right," he said.

Mr Greenbury said the company would also have to "bite the bullet" over its lossmaking Canadian operations. "It is not right that we go on with that problem. We have to deal with

it on behalf of our shareholders and employees," he said. But he did not spell out what action the board envisaged.

Brooks Brothers saw its profits halve in dollar terms to \$1.11m from \$2.22m. Trading profits at the group's US supermarket chain, Kings, also fell to \$10.3m from \$11.4m.

Losses in Canada amounted to £57.7m (£88.65m) compared with £38.9m the year before.

In sharp contrast, M and S's continental European operations rose strongly with sales up 24 per cent and profits up 38 per cent to £20.4m.

Earnings per share, before exceptional items, rose from 14.5p to 15.1p. The board is recommending a total dividend of 6.7p (6.4p), which represent a 5 per cent increase on the year. Lex, Page 18

## ABB sticks to forecast after advance of \$5m

By William Duffrice in Geneva

ASEA Brown Boveri, Europe's biggest electrical engineering group, yesterday reported a rise of \$5m to \$24m in pre-tax profits in the first quarter and said it was sticking to its forecast of at least maintained full-year earnings after financial items.

Economic slowdown in many parts of the world was having a negative impact on demand for some products, ABB said. However, internal restructuring, particularly in North America, and improvements in productivity continued to reinforce earnings.

First-quarter turnover amounted to \$6.24bn, up by 4 per cent from the first three months of 1990.

Incoming orders rose by 2 per cent to \$7.74bn, good increases being reported by the power plant, power transmission, power distribution and industry segments.

Group operating profit at \$360m was up by 17 per cent on that of the first quarter of 1990, despite an increase from \$180m to \$200m in depreciation charges.

Last year, ABB posted a 21 per cent rise to \$1.1bn in pre-tax earnings on a turnover of \$26.7bn.

## Worms to simplify structure

By George Graham in Paris

THE Worms group, a French family-controlled conglomerate of financial, transport and industrial interests which range from the Wiggins Teape-Arjomari paper company to the Athena insurance group, is to undertake a complete overhaul of its structures with the aim of simplifying and clarifying its organisation.

The restructuring will result in virtually all Worms' stakes being owned directly by a single listed holding company. This company will change its name to Worms & Cie.

The Worms group's complex organisation disconcerted a number of British institutional

investors at the time of the merger of Wiggins Teape Appleton, the UK paper group, with Arjomari, its French counterpart in which Worms owns a controlling stake via a number of intermediate holding companies.

In order to carry out the reorganisation, the Worms family partnership will transfer most of its direct investments to Simer, a company for which Worms has maintained an almost dormant stock exchange listing.

These investments include its controlling stake in Pechbronn, the listed company through which it holds most

## Elf set to increase market share

By George Graham

ELF Aquitaine, the French state-controlled oil group, has received permission from the French government to acquire two domestic importers and retailers of petroleum products.

The approval of the purchase of Les Fils de Jules Bianco and Compagnie Commerciale et Pétrolière de l'Ouest (CPO) is conditional on the sale of some bulk storage centres.

The decision of the French competition authorities follows 10 days after Elf received the go-ahead from the British Monopolies and Mergers Commission for the acquisition of Amoco's UK petrol station and refinery interests.

The acquisition of Bianco and CPO will strengthen Elf's position as leader in the distribution of refined petroleum products, lifting its market

share to 25 per cent from 18 per cent.

Elf said that the acquisitions would allow it to go ahead with investments at its refineries at Donges and Feyzin by increasing its retail outlets near the plants.

While principally present in the wholesale market for products such as domestic fuel oil and diesel, Bianco and CPO also have retail petrol outlets.

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## SOCIÉTÉ NATIONALE ELF AQUITAINE GLOBAL SHARE OFFERING

SNEA has made an application to list its ordinary shares represented by American Depositary Shares on the New York Stock Exchange and plans to make a global share offering of around 7.5 million newly issued shares. The listing and offering are intended to widen share ownership and provide SNEA access to the U.S. market.

The offering will be made simultaneously on the French, International and United States markets. In order to allow a simultaneous placement in each of the three markets, there will be no preemptive rights for existing shareholders and no priority subscription period. Funds raised from the offering will be used for general corporate purposes.

The details of the offering, including the price, will be determined by Elf's Board of Directors at a special meeting to be held on June 10th, 1991. The date for the launch of the offering will be subject to general conditions in the financial markets and is therefore subject to change. The French and international subscription period is expected to run from June 11th to June 13th, inclusive, in all three markets and may not be closed prematurely. New shares will qualify for dividends paid in 1992 based on 1991 results.

The offering will be underwritten by syndicates led by Banque Nationale de Paris with respect to the French offering, Paribas Limited with respect to the international offering and Goldman, Sachs & Co. with respect to the U.S. offering. Paribas Limited and Goldman Sachs International Limited are global coordinators of the combined offering.

Applications have also been made to list the newly issued shares on the Paris Bourse and on the Brussels, Luxembourg, Frankfurt, Düsseldorf, Basel, Geneva and Zurich stock exchanges when the offering is completed. Until the closing of the combined offering, trading will be on a "when issued" basis.

Subject to certain exceptions, the shares offered in the French and international offerings may not be offered or sold within the United States. ■

elf aquitaine

## INTL. COMPANIES AND FINANCE

## Adsteam wins breathing space with debts freeze

By Kevin Brown in Sydney

THE TROUBLED Adsteam group, formerly run by Mr John Spalvins, gained a seven-month breathing space yesterday when its 10 banks agreed to freeze debts of more than A\$65m (US\$60m) until the end of the year.

In addition, the National Australia Bank agreed to make a standby facility of A\$100m available to cover the working capital requirements of Adelaide Steamship, David Jones and Tooth, the three main companies in the loosely-knit group.

The debt rescheduling will give Adsteam time to negotiate long-term refinancing, probably involving the sale or independent flotation of most of the group's assets.

However, it was not clear whether the agreement would be sufficient to persuade the Australian Stock Exchange to allow trading in the shares of the main group companies to restart.

David Jones Adelaide Steamship, and Tooth were

suspended more than a week ago after the collapse of earlier negotiations between the companies and the banks on long-term restructuring proposals.

Adsteam said it expected a detailed reconstruction plan to be completed within three or four months by Bankers Trust Australia, the merchant bank, which has been appointed with the approval of the banks.

If Bankers Trust fails to come up with an acceptable scheme, most of the group's companies are likely to be put into liquidation when the moratorium expires on December 31.

Mr Neil Branford, Adelaide Steamship's secretary, said shareholders would be able to participate in the flotation of any of the group's companies which might be brought to the market.

This would include the flotation of Woolworth's, the successful supermarket business owned by Industrial Equity, a jointly-owned subsidiary of the group until the end of the debt moratorium.

## Dutch merger backed by Internatio investors

By Ronald van de Krol in Amsterdam

SHAREHOLDERS representing 21 per cent of the share capital of Internatio-Müller, the diversified, Rotterdam-based transport and group, have come out in support of a plan by First Pacific of Hong Kong to merge Internatio and Hagemeyer, the Dutch trading company.

First Pacific, which owns 30 per cent of Hagemeyer, disclosed last week that it had built up a stake of 43.2 per cent in Internatio, and that it wanted to merge the two Dutch-based companies.

Van Doorn Trust, a trust company in Amsterdam which says that it holds 15.1 per cent of Internatio's share capital for unnamed institutional investors. The study is expected to be completed in several weeks.

Mr Andrew Land, the chairman of Hagemeyer, said that he had received support in writing from shareholders representing a further 6 per cent.

## Metra's plunge into red blamed on recession

By Enrique Tessieri in Helsinki

METRA, the Finnish diesel engine and building materials group, yesterday reported a decline into loss for the year ended February 1991.

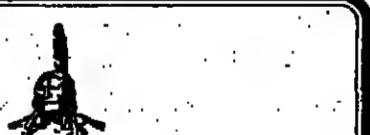
The company, which was formed by the merger of Lohia, a building materials group, and Wartsila, the diesel and shipbuilding company, suffered an after-tax loss of FM25m (US\$6.000) compared with a profit of FM31.5m.

Group sales rose by 10 per cent to FM8.57bn. At the tax mark, profits fell to FM124m from FM340m in the previous year.

## Schindler expects 10% decline

SCHINDLER, the Swiss elevator group, expects profit to decline by around 10 per cent this year, AX-DJ reports.

The company said the market in the first few months of this year had contracted, especially in the US and in the UK, although other countries, such as Germany and Switzerland, are seeing acceptable levels of business.



## Shawmut Corporation

U.S.\$50,000,000

Floating Rate Subordinated Notes

Due 1997

Notice is hereby given that the Rate of Interest has been fixed at 6.4375% and that the interest payable on the relevant Interest Payment Date August 15, 1991 against Coupon No. 26 in respect of US\$10,000 nominal of the Notes will be US\$164.50.

May 15, 1991 London

By Citibank N.A. (CSSI Dept.), Agent Bank



## National Westminster Finance B.V.

(Incorporated in The Netherlands with limited liability)

U.S.\$500,000,000 Junior Guaranteed FRNs

Guaranteed on a junior subordinated basis as to payment of principal and interest by

## National Westminster Bank PLC

(Incorporated in England with limited liability)

Notice is hereby given that the Rate of Interest has been fixed at 6.5625% and that the interest payable on the relevant Interest Payment Date November 15, 1991 against Coupon No. 15 in respect of U.S.\$25,000 nominal of the Notes will be US\$38.54 and in respect of U.S.\$5,000 nominal of the Notes will be US\$1.6771.

May 15, 1991 London

By Citibank N.A. (CSSI Dept.), London Branch, Agent Bank

## Citizen Watch climbs 40% as sales surge in main markets

By Eriko Terazono

CITIZEN WATCH, Japan's leading watchmaker, posted a 40.2 per cent rise in pre-tax profits to Y21.2bn (US\$15.51m) due to strong sales in all of its main operations.

The company, announcing non-consolidated results for the year to March 1991, said brisk consumer spending continued to support sales, which grew 26.9 per cent to Y247.8bn. After-tax profits rose 40.9 per cent to Y11bn.

For the current year, Citizen expects a moderate 2.9 per cent increase in sales to Y255bn, and a 2.3 per cent rise in pre-tax profits to Y21.7bn.

Sales of wristwatches, which account for half of revenue, rose 25.4 per cent to Y118.1bn, while strong demand for automatic lathes increased sales of industrial machinery, which advanced by 20 per cent to Y31.7bn.

Sales of the information equipment and parts division rose to Y55.6bn, up 35.8 per cent, with the 3.5-inch floppy disk drives soaring 103.9 per cent to Y17.8, and notebook-sized personal computers rising 43.6 per cent to Y14bn.

Citizen's electronic equipment and parts operations' sales increased 42.2 per cent to Y29bn, on the back of strong demand for its liquid crystal displays and other display units.

## Tomei agrees to take stakes in two HK units

TOMEI Industrial (Holdings) of Hong Kong has agreed to acquire significant minority stakes in two privately held local electronics-related companies in HK\$68m (US\$8.72m), AP-DJ reports.

The rapidly-growing electronics maker said it had agreed to buy 22 per cent of Yonion, a manufacturer of metal moulds and cassette deck mechanisms. Yonion recorded sales of HK\$200m last year and expects to earn at least HK\$37m this year.

Tomei also agreed to buy 15 per cent of S. Megha Telecommunications, a producer of cordless telephones, which expects to earn HK\$34m on HK\$600m sales in the year to June 30 1991.

The purchases, the prices of which were not disclosed, are part of Tomei's strategy of injecting venture capital into companies it does business with and then floating them on the stock exchange.

## Aztec Mining plans A\$39m rights issue

AZTEC Mining of Australia is planning a two-for-nine rights issue to raise about A\$39m (US\$40m) for mine development, Reuter reports.

The company, 37.2 per cent owned by Amax, said the issue was pitched at 61 cents a share against the current price of 62 cents which is down 7 cents on Monday's close.

It added that Amax had confirmed it would be taking up its 37.2 per cent entitlement to the issue in full.

The balance is being underwritten by J.B. Were and Son.

The issue will help fund a A\$66.8m expansion at the Woodcutters zinc mine in the Northern Territory, wholly-owned by Aztec's 78.6 per cent subsidiary, Nicron Resources.

These Securities having been sold, this announcement appears as a matter of record only.

New Issue



## Province de Québec

Canada

Can. \$250,000,000

10.50% Notes due April 9, 1991-1996

Issue Price: 101.35%

Scotiabank Inc.

Banque Bruxelles Lambert S.A.

Merrill Lynch International Limited

Société Générale Strauss Turnbull Securities Limited

Swiss Bank Corporation

Wood Gundy Inc.

ABN AMRO

BMO Nesbitt Thomson Ltd.

BNP Capital Markets Limited

Commerzbank

Credit Suisse First Boston Limited

Deutsche Bank Capital Markets Limited

Goldman Sachs International Limited

IBJ International Limited

Kredietbank International Group

RBC Dominion Securities International

UBS Phillips &amp; Drew Securities Limited

Westdeutsche Landesbank Girozentrale

April 1991



EVCA

in association with

FT FINANCIAL TIMES CONFERENCES

VENTURE SYMPOSIUM 1991

Venture Capital in a changing Europe

12-14 June 1991 Stockholm

The annual EVCA conference brings together an authoritative international panel to debate strategies for the European venture capital industry in an increasingly competitive environment.

Speakers taking part include:

Leif Jensen Chairman, EVCA Staffan Elmgren SVCA

John B Singer Granville Europe Diederik Heyning Glide Investment Funds

Matts Andersson SITRA Robert Lattès Palas Venture SA

Per Wahlström Euroventures Nordica A/S David Hutchings Midland Montagu Ventures Limited

Paolo Colonna Schroder Associati Srl Miguel Zorita Lees BB Promoción Empresarial SA

Jane Morris Venture Economics Incorporated Christian Clefittie Suez Ventures

Michiel A de Haan Beat Fischer ABB Venture Capital

## Bikuben

Sparekassen Bikuben A/S

(A Savings bank established under Danish Banking Law)

U.S. \$45,000,000

Floating Rate Subordinated Notes due 1996

Holders of Floating Rate Subordinated Notes of the above issue are hereby notified that for the interest period from 16th May, 1991 to 18th November, 1991 the following information will apply:-

1. Rate of Interest 6.4375%

2. Coupon Amount US\$332.60

3. Interest Payment Date: 18th November, 1991

Agent Bank

Bank of America International Limited

U.S. \$200,000,000



## Exterior International Limited

(Incorporated with limited liability in the Cayman Islands)

Guaranteed Floating Rate Notes due 2001

Unconditionally Guaranteed as to payment of principal and interest by

Banco Exterior de España, S.A.

(Incorporated with limited liability in The Kingdom of Spain)

Notice is hereby given that for the six months Interest Period from May 15, 1991 to November 15, 1991 the Notes will carry an Interest Rate of 6.1% per annum. The interest payable on the relevant interest payment date, November 15, 1991 will be U.S. \$313.06 per U.S. \$10,000 principal amount of Notes.

By: The Chase Manhattan Bank, N.A.

London, Agent Bank

May 15, 1991

CHASE

## RENFE

RED NACIONAL DE LOS FERROCARRILES ESPAÑOLES

US\$500,000,000

Floating rate notes due 1998

Unconditionally guaranteed by

THE KINGDOM OF SPAIN

In accordance with the provisions of the notes, notice is hereby given that for the six months interest period 15 May, 1991 to 15 November, 1991 the notes will carry an interest rate of 6 1/4% per annum. Interest payable on 15 November, 1991 will amount to US\$319.86 per US\$10,000 note and US\$3,086.60 per US\$100,000 note.

Agent: Morgan Guaranty Trust Company

JPMorgan

FLOATING RATE DEPOSITORY RECEIPTS DUE 1997

Issued by The Law Debenture Trust Corporation plc evidencing entitlement to payment of principal and interest on deposits with



Banca Nazionale del Lavoro

(Incorporated as an Istituto di Credito di Diritto Pubblico in the Republic of Italy)

London Branch

Notice is hereby given that the Rate of Interest for Coupon No. 24

has been fixed at 8.125% pa and that the interest payable on the

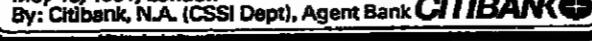
relevant Interest Payment Date, August 15, 1991 in respect of

US\$10,000 nominal of the Receipts will be US\$161.32 end in

respect of US\$250,000 nominal of the Receipts will be US\$4,032.99.

May 15, 1991 London

By: Citibank, N.A. (CSSI Dept.), Agent Bank



## GROWING BUSINESS

The FT proposes to publish this survey on

JULY 9 1991.

## SANKYO SEIKO CO. LTD.

Japan

has acquired  
through its wholly-owned subsidiaryDAKS Simpson  
GROUP PLC

London

Sankyo Seiko Co., Ltd. was advised by the undersigned

## The Mitsubishi Bank, Limited

April 1991

The Mitsubishi Bank, Limited is a member of The Securities Association

This announcement appears as a matter of record only.

## Analytical Technology, Inc.

Orion Research Inc. • Mattson Instruments, Inc.

has acquired

## Unicam, Ltd.

and the worldwide spectrophotometry, chromatography and  
electrochemistry laboratory equipment business of  
N.V. Philips GloeilampenfabriekenWe structured and negotiated the above transaction and our venture  
banking affiliate, Warburg, Pincks Capital Company, L.P.  
led the equity financing.

## E. M. WARBURG, PINCUS &amp; CO., INC.

NEW YORK

LONDON

LOS ANGELES

May 1991

NOTICE TO SHAREHOLDERS OF  
MLH REALTY INVESTMENTS VI N.V.

Notice of the Annual General Meeting of Shareholders of MLH REALTY INVESTMENTS VI N.V. (the "Company") is hereby given. The meeting is to take place on May 31, 1991, at the registered office of the Company, 8 John B. Gorisweg, Curacao, Netherlands Antilles. The agenda of the meeting is set forth below.

## AGENDA

Annual Meeting of Shareholders of MLH REALTY INVESTMENTS VI N.V.

- Report by Board of Supervisory Directors on the course of business of the corporation and on the administration conducted during the fiscal year ended November 30, 1990.
- Discharge and subsequent re-election of the Board of Supervisory Directors.
- Report by the Board of Managing Directors on the course of business during the fiscal year ended November 30, 1990.
- Further appropriation of the Net Result of the period November 30, 1989 thru November, 30 1990.
- Confirmation and adoption of the Balance Sheet and Profit and Loss Account for the period ended November 30, 1990 and as presented in the report accounting firm of Emet & Young dated April 10, 1991.
- Discharge and subsequent re-election of the Board of Managing Directors.
- Selection of independent auditors.

Shareholders, by executing the subscription agreement for their shares have executed a discretionary proxy in favour of Yvonne Corporation N.V., authorizing Yvonne Corporation N.V. to vote the investor's shares. This proxy may be revoked either personally at the General Meeting of Shareholders or by written notice to Yvonne Corporation N.V. c/o John B. Gorisweg, Curacao, Netherlands Antilles, received prior to such meeting. Shareholders have the opportunity to instruct Yvonne Corporation N.V. as to the voting of their shares by writing to Yvonne Corporation N.V. at the above address.

MLH REALTY INVESTMENTS VI N.V.  
By: Pierens Trust (Curacao) N.V.  
Managing Director

## INTERNATIONAL COMPANIES AND FINANCE

## Two US insurers file for protection from creditors

By Nikki Tait in New York

PARENT companies of two seriously-troubled US insurance groups filed for court protection from creditors last year.

First Executive Corporation, which takes in the Executive Life unit in California, and the smaller Executive Life of New York business, said it had filed for protection from its creditors under Chapter 11 of the US bankruptcy code.

Its two main operating arms have already been seized by the relevant state regulatory authorities, making First Executive, the largest insurance company failure which the US has ever seen.

In a separate move, Citibank and other senior lenders to First Capital Holdings, a parent company of San Diego-based First Capital Life Insurance, filed an involuntary bankruptcy petition, also to place FCH in Chapter 11.

This gave rise to speculation that the Californian state insurance regulators would soon announce they had taken FCLI into conservatorship.

Under conservatorship, state officials take direct charge of the operations of the company and the claims of outside creditors are subject to regulatory and court decisions.

Last Friday, they issued a "cease and desist" order against the insurer, barring it from making payments to its parent, and from writing new business. The order also placed a moratorium on surrenders by FCLI policyholders and on life insurance policy loans.

Neither Citibank nor First Capital were immediately available to comment on the move. A 28 per cent stake in FCH is held by Shearson Lehman, and the US investment bank announced on Friday it would take a \$144m write-off before tax during the current

quarter in respect of this holding.

First Capital is substantially smaller than First Executive. The former's assets are around \$45m and it has some 150,000 policyholders.

Executive Life has around \$10.1bn in assets, while Executive Life of New York had a further \$3.2bn at end-1990.

Problems at both companies, however, have resulted partly from heavy exposure to junk bonds.

Both debacles have occurred at a sensitive time for the US insurance industry. There has been much concern about the health of life insurers' portfolios.

This, coupled with fears there may be separate problems endemic to the property-casualty sector, has provoked political pressure to reform the state-based insurance regulatory structure and introduce federal supervision.

## Retailers' fall shows consumer weakness

By Karen Zagor in New York

THE CONTINUED weakness in consumer spending was reflected in the decline in first-quarter earnings at J.C. Penney, The Limited and Tiffany.

Net income at J.C. Penney, the fourth biggest US retailer, dropped 48.1 per cent in the first three months of 1991 to \$29m, or 61 cents a share on a fully-diluted basis, from \$15m, or \$1.15, a year earlier. The decline was roughly in line with expectations.

Retail sales in the 13 weeks ended April 27 slid 2.7 per cent to \$3.45bn.

Penney, which started repositioning itself in 1987, has been hit by widespread price-cutting by competitors and by its failure to establish itself as a fashion retailer.

During the quarter, selling, general and administrative costs rose 1.1 per cent to \$1.16bn.

The increase was attributed to bad debt expenses and depreciation costs linked to store modernisation and fixuring programmes.

At The Limited, the specialty retailer, net income dropped 18 per cent to \$50.5m, or 14 cents a share, from \$62.3m, or 17 cents, a year ago, although sales improved 16 per cent to \$1.28bn from \$1.11bn.

Mr Leslie Wexner, chairman, attributed the decline in earnings to the cost of repositioning the company's Limited Stores division.

The company, which in 1989 generated profits growth of 41 per cent, has been disappointed by the recent performance of its largest division, Limited Stores, where operating profits dropped 24 per cent in 1990 to about \$163m.

The group said it had streamlined and restructured its merchandising organisation and reduced inventory levels by nearly 30 per cent on a square foot basis.

Mr Wexner said that in January the company made several key decisions which included the appointment of Mr Howard Gross as president, the move from multiple brands to one brand, and cancellation of merchandise on order that did not fit into the business.

At Tiffany, the up-market US jeweller, net earnings dropped to \$46m, or 29 cents a share, from \$5.4m, or 35 cents, a year ago. Sales increased 4 per cent to \$97m.

Mr William Chaney, chairman, said the results reflect consumer caution and a drop in international tourism linked to the Gulf war.

HAFNIA  
HOLDING

TO THE SHAREHOLDERS OF HAFNIA HOLDING LTD.

Notice of Annual General Meeting

of

Hafnia Holding Ltd. (the "Company")  
on Monday, 27th May, 1991 at 4.00 p.m.  
at the Falkoner Center,  
Falkoner Allé 9, Copenhagen.

## AGENDA

- Submission by the Board of Directors of the annual accounts, comprising profit and loss account and balance sheet of the Company with notes, and annual report and auditors' certificate with proposal for adoption of the profit and loss account and balance sheet and discharge of the Board of Directors and Management from their obligations.
- The Board of Directors' proposal for covering the loss for the past year, including fixing of the dividend.
- The Board of Directors' proposal for authorisation of the Directors to allow the Company to acquire its own shares up to 10% of the share capital.
- Election of members to the Board of Directors.
- Appointment of two state-authorized public accountants to audit the accounts for the current year.
- Other business.

The agenda and complete resolutions to be proposed at the general meeting, and the annual and consolidated accounts for 1990 with the annual report and auditors' certificate, will be sent to all registered shareholders and will also be open for inspection by shareholders at the Company's office, Holmens Kanal 9, 1010 Copenhagen K, during the eight days prior to the general meeting.

Admission cards to the general meeting are available against due proof of identity, as provided in the Articles of Association, at the Shareholders' Secretariat of the Company or at the Shareholders' Secretariat of the Company at Holmens Kanal 9, 1010 Copenhagen K, on any weekday except Saturday from 7th May to 22nd May, 1991, both days inclusive, from 10.00 a.m. to 3.00 p.m.

Shareholders who have acquired their shares by transfer are entitled to vote at the general meeting and to receive a voting paper only if they are entitled to extend the meeting pursuant to the above provisions and have either been entered in the Company's register of shareholders or have given notice and evidence of their acquisition of shares in the Company not later than three months before the general meeting.

The Dividend for 1990 will be paid according to registration of shares with the Securities Centre.

Copenhagen, 14th May, 1991

The Board of Directors of  
HAFNIA HOLDING LTD.National & Provincial  
Building Society100 of 100,000,000  
Shares Euro Notes 1992

Notice is hereby given that for

the three months 13th May,

1991 to 13th August, 1991 the

Notes will carry an interest rate

of 11 1/2% per annum with a

coupon amount of £294.59 per

share, or £2,945.89 per

£100,000 Note payable on 13th

August, 1991.

Bankers Trust  
Company, London Agent BankAPPOINTMENTS  
ADVERTISING  
appears everyWednesday &  
Thursday (UK),and Friday  
(international  
edition only)

Dollar bull or peak?  
Daily Currency and Interest Rate Rates  
From Chart Analysis Limited  
Contact Anne Whitley  
Tel: 071-583 7171 Fax: 071-589 6666



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Fax: 071-799 1521

## CARPS Limited

(Incorporated with limited liability in the Cayman Islands)

U.S. \$100,000,000

Secured Floating Rate Notes due 1992

For the period 14th May, 1991 to 14th November, 1991 the Notes will carry an interest rate of 6 1/4% per annum with a coupon amount of U.S. \$3,258.33 per U.S. \$100,000 Note payable on 14th November, 1991.

Bankers Trust

Company, London

Agent Bank

IG TELEPHONE: 071-828 7233 AFBD MEMBER  
FTSE 100 May 24/47/2457 -38 WALL STREET  
May 24/60/2470 -38 Jun. 24/81/2503 -29  
5pm Prices. Change from previous 9pm close  
HOW WELL DID YOU JUDGE THE MARKET?

## U.S. \$100,000,000

Den Danske Bank  
of 1871 Afdelingsbank

(Incorporated in the Kingdom of Denmark with limited liability)

Perpetual Subordinated  
Floating Rate Notes

In accordance with the provisions of the Notes, notice is hereby given that for the interest period from May 15, 1991 to November 15, 1991, the Notes will carry an interest rate of 6 1/4% per annum.

The interest period will end on Coupon No. 14 on the relevant interest payment date, November 15, 1991 with

By: The Danske Bank, N.V.  
London, Agent Bank

May 15, 1991

COUNCIL OF THE STATE

COUNCIL OF

## INTERNATIONAL CAPITAL MARKETS

## Treasuries decline sharply as dealers unload paper

By Patrick Harverson in New York and Sara Webb in London

US BOND prices dropped sharply yesterday morning as dealers continued to unload the large amounts of paper left in their hands by the recent Treasury auction.

By midday, the benchmark 30-year government bond was down a full point at 97%, to yield 8.348 per cent. At the short end of the market, the two-year note was also weaker, down 1% at 100%, yielding 8.642 per cent.

The dominant feature remained the efforts of dealers to redistribute the \$37bn of government refunding securities sold last week. With large amounts of bonds still searching for a home, prices are likely to remain depressed, class analysts.

Some economic statistics hinting at a modest economic recovery only added to the gloom. April retail sales were reported to have fallen 0.1 per

## GOVERNMENT BONDS

cent, as expected. However, once again it was a revision of previous estimates that made an impact. Having originally calculated that March retail sales fell by 0.8 per cent, the Commerce Department reported that sales rose by 0.4 per cent in the month.

Although the day's inflation data - showing a 0.2 per cent rise in consumer prices - was broadly positive, the big revision in March retail sales knocked market sentiment and triggered a hurried round of early morning selling.

■ GERMAN government bonds fell yesterday morning, as rumours that the Bundesbank president, Mr Karl Otto Pöhl, was about to resign again dominated the market.

The sharp drop in the US Treasury bond market

## BENCHMARK GOVERNMENT BONDS

	Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
U.S. GILTS	13.500	04/02	103.21	-0.52	10.48	10.45	10.48
	9.000	03/00	92.20	-19.32	10.29	10.08	10.04
	6.000	10/08	81.08	-23.82	10.07	9.87	9.82
US TREASURY	8.000	06/01	98.30	-20.32	8.16	8.03	8.02
	5.125	05/21	97.14	-39.92	8.38	8.21	8.21
JAPAN	11.800	4/80	93.3246	+0.03	7.07	7.08	7.11
	8.400	03/00	96.6617	-0.02	6.54	6.68	6.72
GERMANY	5.000	01/01	103.3400	-0.41	5.45	5.35	5.27
FRANCE	0.000	02/08	99.0778	-0.25	5.05	5.03	5.04
CANADA	9.750	06/01	106.4000	-0.40	6.06	5.94	5.98
NETHERLANDS	8.500	03/01	98.7500	-0.30	5.89	5.81	5.89
AUSTRALIA	13.000	07/00	111.8397	-0.02	10.95	10.82	11.08
BELGIUM	16.000	06/00	105.0000	-0.20	6.12	6.30	5.97

London closing, "New York morning session

Yield: Local market standard

Prices: US, UK in 32nds, others in decimal

Technicals Data/ATLAS Price Source

&lt;/

## INTERNATIONAL CAPITAL MARKETS

## Day of contrasts led with Ecu400m deal by Greece

By Simon London in London

THE INTERNATIONAL bond market was dominated by contrasting new issues from sovereign borrowers yesterday, led by the launch of an Ecu400m seven-year issue for Greece.

The borrower announced earlier this month that it had awarded the mandate for the deal to Credit Suisse First Boston, which underwrote the deal, together with Morgan Stanley, Nomura and Dresdner Bank. The four lead underwriters had pre-sold much of the paper before the deal was priced yesterday, leaving only small Ecu50m allocations for the other participants.

The bonds carry a coupon of 10.25 per cent and were offered to investors at a fixed price of 99.80, for a yield of 10.356 per cent. The deal includes investor put option and borrower call option after five years and the paper was priced against other five-year sovereign deals.

At the fixed reoffer price, the paper offers a healthy yield pick-up of around 130 basis points over issues by borrowers such as Belgium, Spain and the European Community, all of which yield around 9 per cent in the secondary market.

The additional yield offered on yesterday's issue reflects the lower credit quality of Greece.

The government carries a triple-B credit rating from Moody's Investors Service and Standard & Poor's, the US credit rating agencies.

Bonds were sold on the basis that the risk premium on paper issued by the lower-rated European governments will

evaporate as economic and monetary integration proceeds.

The lead underwriters placed enough paper last week to increase the size of the deal from Ecu350m anticipated in the market.

However, the longer-term success of the deal may hinge on how many bonds are traded

## INTERNATIONAL BONDS

in the secondary market.

If the deal is judged a success it may open the way for other lower-rated European governments, such as Turkey and Portugal, to borrow in Ecu in the international market.

However, the next sovereign government to tap the market is expected to be Norway, although the size and maturity of any deal have yet to be fixed.

Yesterday, Turkey came with its first international bond offering since August last year, raising DM250m with a five-year deal lead managed by Commerzbank. Turkey does not have a credit rating but was an active issuer of Eurobonds from 1988 onwards. The bonds carry a coupon of 10.5 per cent and were priced at 100.50. However, bonds were sold to retail investors within Germany at a discount of 2 per cent, equivalent to full fees, where the paper yields 10.89 per cent.

The lead manager said the deal was comparable to issues by eastern European governments such as Hungary. For example, National Bank of Hungary's DM300m 10 per cent.

## NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
St Cr Cd Mater, Tel Series A(b)†	1.5bn	8 1/2	99.15	1998	1%	Salomon Bros.
St Cr Cd Mater, Tel Series B(b)†	185m	8	99.15	1998	0.4%	
ECUs						
Bank of Greece(c)†	400	10 1/4	98.00	1998	1/2	CSFB
CANADIAN DOLLARS						
Oesterreichische K(bank)†	160	10	101.505	1994	1/4-1/1	IBJ Int.
D-MARCS						
Republic of Turkey(a)†	280	10 1/2	100 1/2	1998	2 1/4	Commerzbank
SWISS FRANCS						
Midland Credit Co. (a)††	80	7 1/4	98 1/2	1995	1/2	Swiss Volksbank
DSU Bank(b)††	80	8	101 1/2	1995	1/2	Swiss Volksbank

†=Private placement. ‡=Convertible. ¶=Warrants. #=floating rate notes. (b)Fees to be paid. (c) Non-callable. (d) Credit line. (e) Special purpose vehicle of Citicorp. (f) Tranche is subordinate to A tranche. Non-callable. (g) Callable and puttable on 28/5/98 at par.

## Moody's to establish German subsidiary

By Stephen Fidler, Euromarkets Correspondent

MOODY'S Investors Service, the credit rating agency with headquarters in New York, said yesterday it was setting up a German subsidiary, the first rating agency to be established in the country.

At the other end of the European sovereign credit spectrum, the Oesterreichische Kontrollbank (OKB), the Austrian state-owned bank which carries a triple-A credit rating, added to the glut of supply in the Canadian dollar sector of the market.

The market had been anticipating a US dollar issue from the borrower, suggesting that lead manager IBM was able to offer an especially attractive swap arrangement.

OKB launched a C\$150m three-year deal, reoffered to investors at the fixed price of 100.55. At this level the bonds yield 44 basis points more than the benchmark Canadian government bond of this maturity.

The Canadian government bond market was weaker during the day and the yield spread narrowed to 41 basis points by late afternoon, with the deal trading at around the fixed reoffer level.

Participants in the deal reported strong demand for the bonds despite the weight of recently issued Canadian dollar paper overhanging the market.

• Citicorp yesterday increased the size of its five-year global asset-backed bond issue from \$14bn to \$15.75bn. The coupon on the senior tranche of the deal was fixed at 8.5 per cent.

The bonds were reoffered to investors at a fixed price of 99.15, where the yield spread is 95.5 basis points over US Treasury bonds.

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## UK COMPANY NEWS



Keith Oates, joint managing director (left), Clinton Silver, deputy chairman and joint managing director (centre), and Richard Greenbury, chairman of M and S

## Recession takes its toll on M and S

By John Thornhill

**M**ARKS AND SPENCER, the retailing group, suffered a sharp decline in UK volume sales in the second half of 1990 as the recession began to bite.

Throughout its existing stores there was a 5.6 per cent fall in sales in the second half compared with a 2.8 per cent decline in the first. Overall, however, sales increased by 3.8 per cent in the UK and Ireland because of the growth in selling space.

The strongest growth was recorded in food sales which advanced by 6.9 per cent to £2.04bn.

Clothing sales increased by 2.2 per cent to £2.38bn but homewares was badly hit by the economic slowdown and saw sales fall by 0.1 per cent to £345m.

During the year M and S

increased its net selling space by 4 per cent but reduced the number of full-time staff by 1,700.

Three edge-of-town stores were opened as well as four neighbourhood food stores. In addition an extra 220,000 sq ft of selling space was added in the high-street stores.

Capital expenditure totalled £300m, the bulk of which was spent in the UK and Ireland, with £49m going on site acquisition, £14m on expansion and modernisation, and £56m on information technology.

By region M and S's operating profits were: UK and Ireland £603.1m (£597.6m); Continental Europe £20.4m (£14.8m); US £10.3m (£17.9m); Far East £3.3m (£2.6m); and Canada £3.6m loss (£4.6m loss).

See Lex

## Brierley wins shareholder support to head GPG

By Roland Rudd

**S**IR RON Brierley, the New Zealand entrepreneur, yesterday won support from an extraordinary general meeting to take over the running of GPG, the British investment company.

The group also announced that the tax profit for the six months to March would not be less than £22.7m (£1.8m), with shareholders' funds in excess of £30m after the restructuring deal. Full interim results are due within the next two weeks.

Brierley Investments (BIL) is to reduce its shareholding to 40 per cent by selling 140m shares at 15p each to Australasian investors.

BIL recently increased its GPG holding to 83 per cent after acquiring a 20 per cent stake of the company from Pergamon Holdings, Mr Robert Maxwell's private company.

Sir Ron is buying 3 per cent of GPG from his former investment vehicle for the same price.

The meeting also paved the way for the £5.8m sale of three BIL investments in which Sir Ron has been personally involved. The major holdings are 29.86 per cent of Stanley Gibbons Holdings, 14.99 per cent of Villa D'Este and 12.45 per cent of Algas Energy.

All ordinary shareholders will be given 40p per share, and 86 per cent of the par value of £750,000 of preference shares will be repaid plus the accrued dividends of 6.3 per cent - the preference dividend has been passed three times.

The shares of GPG, one wing of the former Guinness Peat Group, were suspended in December at 25p.

Sir Ron hopes the International Stock Exchange will restore GPG's listing now that it is gaining its independence from BIL and widening its shareholder base. He also made it clear that he is looking at several acquisition opportunities.

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## Disputes and Jaguar maul underperforming market leader

Kevin Done analyses the difficulties during the past year at Ford resulting in a downturn into losses

**T**HE SCALE of Ford's financial demise in the UK last year can best be judged against the much more impressive performance of its rivals.

Throughout the troubled decades of the 1970s and 1980s Ford of Britain appeared to have a seat in the lifeboat, while its competitors floundered in the water and threatened to disappear from sight.

Ford stood out as a survivor. The returns were not dazzling, but through all the crises it stayed in profit. Its last taxable loss was in 1971, although its small operating loss in 1984.

Last year it slumped into a pre-tax loss of £274m from a profit of £283m a year earlier.

To judge the state of Ford of Britain's core operations last year, it is necessary to strip out Jaguar, the loss-making luxury car maker, which Ford of the US chose to take over very expensively at the end of 1989 for £1.5bn.

Its problems did not come singly. It was hit by the general recession in the new car market, but it also underperformed the market, losing market share.

Output fell at its UK car plants and it was hit by long and damaging industrial action and it suffered continuing losses of £30.5m from its tractor operations. It also staged a highly troubled and costly launch of its new generation

and its non-automotive businesses. Ford of Britain's pre-tax profit still fell by 87 per cent from £483m to £61m, and compared with a record £673m in 1988.

While Ford was suffering this reverse Vauxhall, which accumulated total losses of £330m in eight successive years from 1979 to 1986, increased its pre-tax profit marginally to a record £239.1m. Vauxhall's operating profit declined 13 per cent to £190.9m, while Rover's trading profits declined by 14 per cent to £55m, and Peugeot Talbot's pre-tax profits fell by 11 per cent to £105m.

The Ford of Britain group's operating profit, before interest charges and other financial items, fell by 73 per cent to £136m from £489m. The operating performance would have been even worse but for a change in the company's method of accounting for depreciation, which resulted in a flattering £84m credit.

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Escort/Orion range, traditionally its best-selling car. The range was panned by the specialist motoring press.

Ford's new car sales in the UK fell by 16.7 per cent last year to 507,260, compared with a drop in the overall market of 12.7 per cent. Its share of the market fell from 26.5 per cent to 25.3 per cent.

As the UK market leader it is inevitably under attack from all quarters. But the competition can only intensify during the 1990s, not least as Japan's three largest car makers Toyota, Nissan and Honda all bring their UK car assembly plants into full production.

Ominously its market share is already being eroded significantly with a fall from the peak of 30.9 per cent in 1981 to 25.3 per cent last year and only 23.4 per cent in the first four months of this year.

Car output at its Dagenham and Halewood assembly plants dropped by 13.8 per cent to 329,597.

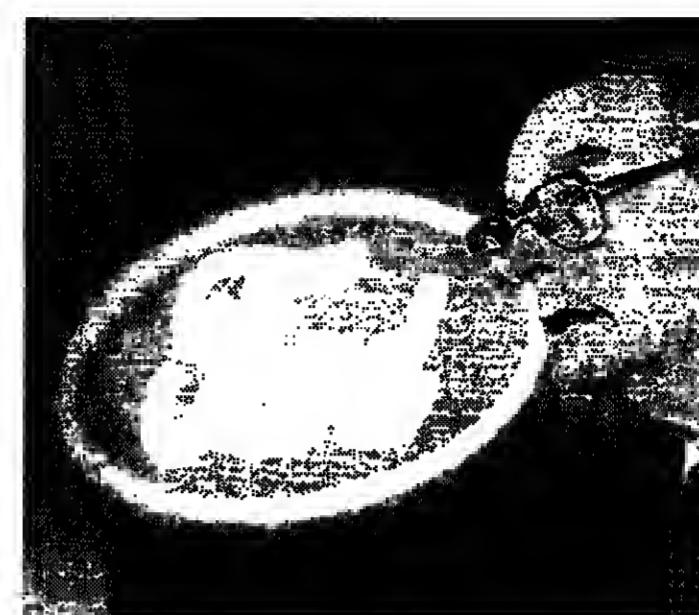
Also damaging last year were Ford of Britain's continuing industrial relations problems which caused a seven-week closure of its Halewood plant on Merseyside and led to other closures including the Southampton van plant.

The production of 39,500 Escort and Orion cars and vans was lost at Halewood last year, and a total output of 77,000 vehicles was lost at Ford's UK

and continental plants. According to Ford in the US the labour disputes in the UK in the first quarter of last year cut its pre-tax profits by \$377m.

The Halewood dispute in particular damaged Ford as it coincided with the build-up to the change-over of production systems at the plant to the new-generation Escort/Orion. Ford's debilitating commercial and industrial problems carry on without an injection of funds from the US, when Ford of Britain's balance sheet is so over-stretched. Mr Bill Brooks, finance director, said yesterday that the company's debt to equity ratio was 3.5. A more normal ratio for a manufacturing company would be below 1. "We have to continuously look at the debt to equity ratio," he admitted.

Lydia van der Meer



Derek Barron, chairman, planning capital spending of £2.5bn

Amidst today's dark clouds, there's one undeniable silver lining. There are many good companies to be acquired at very good prices.

Identifying them, though, isn't easy. In a textbook demonstration of

Take soundings, talk to third parties, arrange informal discussions, make speculative approaches; and you can still find that a competitor snaps up a business which you thought was unbuyable.

First, it's not just something we claim to do. We've worked with companies in the UK, USA, France, Germany, Italy, Spain and Sweden, to help them find the ideal acquisition, whether it's in their home market or overseas. To mix a few metaphors, if you are going to benefit from another pair of eyes looking over the horizon, then it's nice to know that we have an ear close to the ground in your chosen markets.

Second, we believe that offering a fresh perspective doesn't mean wasting your time with off-the-wall suggestions. We don't stock up on 'deals' and then hawk them around to you (or worse, to your competitors if you turn us down).

And third, we take the time to get to know you before we start talking about specific targets. Because if we don't know you well yet, then we aren't in the right position to help you find the right acquisition - because that comes from a close understanding of our client's business.

So, if you want to know where all those acquisitions are out there, call Peter Wisher on 071-248 4000 to get the search off on the right foot.

**CHARTERHOUSE**

**"Everyone says there are dozens of attractive acquisitions out there. But where, Chadwick? Where?"**

Murphy's Law, it's generally true to say that if it's widely known that a business is for sale, it isn't worth buying.

One solution is to spend a great deal of senior management time on it.

The other solution - especially when senior management time is a rather precious resource - is to talk to Charterhouse.

There are some surprises about our approach to initiating acquisitions.

## UK COMPANY NEWS

## Hanson's rise fails to please City

By Maggie Urry

HANSON, the Anglo-American conglomerate, yesterday reported a 3.2 per cent rise in interim pre-tax profits to £88.5m, compared with £87.0m.

Lord Hanson, chairman, said these were very creditable results given the difficult trading background. However, the figures, covering the six months to the end of March, were below the market's best hopes and the shares fell 5p to 220p.

Analysts said that the underlying performance showed a fall in profits after taking account of first time contributions from Peabody Oil, the mining company acquired in April last year, and Cavenham Forest Industries, bought in December.

The figures were also boosted by an unspecified profit on the \$1.5m sale of the group's 49 per cent stake in Newmont Mining. The stake was swapped for Cavenham Forest Industries. The dollar's move cost about £10m.

Lord Hanson and Lord White, who heads the US busi-

nesses, both referred to opportunities arising for the company, which has an acquisitive reputation.

The group announced the appointment of Mr Christopher Collins as director for corporate development. This will include looking at ideas both internally and externally for developing the group, Mr Martin Taylor, vice chairman said.

Mr Collins has worked for Hanson for two years, running its Hanson Syntex Plastics business and is a director of Remington Goldfields, the Australian company in which Hanson has a 49 per cent stake.

Profits from building products, such as roadstone and bricks, fell a third to £45m, while industrial profits were down from £78m to £55m.

US trading profits were £50.8m. Income from interest and property, less central costs, was down from £111m to £85m. This includes the Newmont profit.

At the half year end the group's net cash had slipped to £22.3m from £55m at the year end, but by translation of dollar debt and the payment of last year's final dividend.

A lower rate of tax helped fully diluted earnings per share rise 5.6 per cent to 8.4p (8.9p). The interim dividend is raised 5 per cent from 3p to 3.15p.

The UK businesses suffered a drop in trading profits to £26m (£28m), in spite of a rise in profits in the consumer division, which includes Imperial Tobacco and British Everett Rudy, the lottery business to £152m (£146m). Impairment profits, but the rise in duty on cigarettes in the UK will affect the second half.

Group turnover rose 8.2 per cent to £1.92bn (£1.82bn) and trading profits were £50.8m (£45.8m). Income from interest and property, less central costs, was down from £111m to £85m. This includes the Newmont profit.

At the half year end the group's net cash had slipped to £22.3m from £55m at the year end, but by translation of dollar debt and the payment of last year's final dividend.

contributed about a third of the building division's profits of £24m (£35m). Consumer products profits were £20m (£28m).

**• COMMENT** Hanson's trading statements will make interesting reading when new accounting rules demand separate disclosure of profits from acquired businesses. At present investors must rely on hints and the "sale" of Newmont Mining allowed an above-the-line profit of somewhat dubious origin which will be spread over the second half too. As always will be that sort of thing can be repeated. The pressure is on to make another acquisition. Profits should comfortably top £1.3bn against last year's £1.25bn giving a prospective p/e of less than 11. That might look relatively cheap but sentiment is not running in Hanson's favour at the moment.

## Brent shares drop to 27p on loss warning

By Maggie Urry

SHARES OF Brent Walker, the heavily-borrowed leisure group, fell 13p to 27p yesterday on further consideration of Monday's warning of "substantial" losses. The fall makes a two-day drop of 29p, more than half Monday's opening price of 56p.

The group plans to report results for 1990 next Monday, when it will also publish a summary balance sheet, which will show a "major reduction in shareholders' funds".

At the closing share price of 56p, the group is capitalised at £1.4m, while its debts are thought to be more than 100 times that amount.

Even so the group's bankers, who are discussing a financial restructuring with the company, were yesterday playing down suggestions that they were considering the appointment of an administrator. "It's just not in the bank's interests to pull the plug," said one.

Although the group's balance sheet is expected to show a small positive net worth, this is based on a property valuation done on the basis that the group continues to own the assets. Proceeds from a fire sale would be less again than the revaluation. However, the banks won the security of the group's assets at the time of last November's standstill agreement with Brent Walker.

Banks also pointed out that something had to be left for shareholders if only to encourage them to consent to refinancing proposals. Although the restructuring has been repeatedly delayed, proposals are expected to be put to shareholders in the next few weeks.

## Small nappy maker squeezed out in price war

By David Owen

The £370m UK disposable nappy market is showing signs of a race to the cobblystones, with the appointment of receivers to Blue Ridge Care, the Consett-based manufacturer.

Blue Ridge is one of the smaller players in the fast-expanding UK market, which is dominated by Procter & Gamble's Pampers brand. The receivers, Ernst & Young, blamed Blue Ridge's demise on a nappy price war that had prevented raw material cost increases being passed on.

It recently lost "two large contracts" supplying own-label nappies to major retailers.

The receivers are endeavouring to sell the business as a going concern. None of the company's 125-strong workforce has to date been laid off. The size of the group's debts had not yet been determined.

According to Euromonitor, the London-based market research company, Pampers accounts for 40 per cent by value of UK disposable nappy sales, with Togs, Pampers and Boots the next biggest.

Between 1981 and 1989 the market has grown more than four-fold to 2.7bn units.

## Gulf war and recession cut Vaux profits by 7% to £13m

By Philip Rawstorne

THE EFFECTS of the Gulf War and recession hit first half pre-tax profits of Vaux Group, the north-east based brewer and hotels and nursing homes operator.

Yesterdays the group reported a 7 per cent fall in pre-tax profit for the six months ended March 16, from £14.12m to £13.11m, as occupancy rates in its Swallow Hotels chain declined from 63 per cent to 56 per cent.

Trading profits for the hotels division - which opens its 35th hotel in Bristol later this year - dropped 14 per cent to £5.28m (£5.1m).

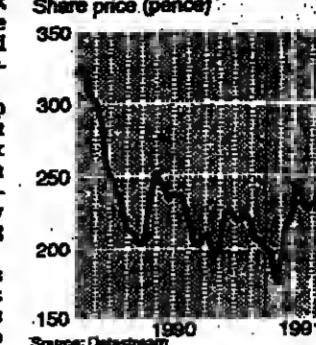
"Prospects for the rest of the year are very dependent on whether the hotel industry recovers," Mr Paul Nicholson, chairman, said.

There were some hopeful signs, though occupancy rates were still below last year, and margins were also under pressure because of the increase in VAT and tobacco and spirits duties.

Trading profits from Vaux and Wards breweries were 31 per cent higher at £5.89m

## Vaux

Share price (pence)

Source: Datastream
 1990 1991

(245p). Beer volumes rose 5 per cent with packaged beer sales over 20 per cent higher. A thousand barrels of low-alcohol lager a week were being brewed for Labatt's Canada.

Vaux Inns, the managed pub estate, pushed trading profits up by 8 per cent to £2.13m (£1.97m) and Blayney off-licences recorded a 9.5 per cent increase to £331,000 (£280,000).

The group has increased its pub estate by around 150 to 689 over the past year. "We believe in the future of the pub," Mr Nicholson said.

Profit contribution from nursing homes was 61 per cent higher at £1.3m (£866,000) as occupancy rates rose 3 per cent to 57 per cent.

Extraordinary profits totalled £7.1m and comprised £8.4m from the sale and lease-back of a hotel in Essex, and £706,000 from the disposal of the 19 per cent stake in Tyne Tees television.

Analysts expect full year pre-tax profits of around £23m against last year's £22.8m.

## DIVIDENDS ANNOUNCED

	Current payment	Date of payment	Corres - pending dividend	Total for year	Total last year
Allied-Lyons	fin	12.54	July 26	11.3	18.81
Apollo Metals	int	1.15	July 10	1	3
Drayton English	fin	2.37	July 19	2.2	3.2
Fitzwilton	fin	2.49		2	3.5
Hanson	int	3.15	July 26	3	10.4
Harpfords Water	fin	23	July 1	43	2.8
Huntingdon Int'l	int	0.875			0.25
Leeds & Spenker	int	4.7	July 1	3	6.4
Mowat Group	int	n/a	Aug 8	0.5	0.5
Vaux Group	int	3.1	July 5	2.98	8.76

Dividends shown pence per share net except where otherwise stated. Equivalent after allowing for scrip issue. On capital increased by right and/or acquisition issues. USM stock. @ Irish currency.

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**"The group has been progressively reshaped into one of the world's leading international food, drink and hospitality corporations."**

*Denis Holdenhouse*

(Extracts from the Chairman's Statement in respect of the 52 weeks to 2 March 1991.)

Trading performance was very satisfactory and the two major acquisitions of 1990 - James Burrough and Dunkin' Donuts - were successfully integrated into the group.

Regrettably a year of underlying progress and consolidation was masked by the impact of a £147 million currency loss which had the effect of reducing pre-tax profit to £479 million, a decline of 15.2% over the previous year and earnings per share to 37.6p, a decline of 21.2%. Given the fundamental health of the group's commercial operations, the Board has decided to increase the final dividend payment to 12.54p giving a total of 18.81p for the year, an increase of 11.0%. The group is constantly raising the quality of its businesses and products.

This is a never ending process and one which underpins our expectation of growth in profits, earnings and dividends for the current year and beyond.

**ALLIED-LYONS**

## UK COMPANY NEWS

## General Accident sees improvement

By Clare Pearson

GENERAL ACCIDENT, the Perth-based general and life insurer, yesterday fulfilled the more pessimistic expectations in the stock market when it announced a pre-tax loss of £75.1m for the three months to end-March.

That was less than the £81.5m reported for the comparable period, when there were particularly severe weather conditions in early 1990.

Underwriting deficits both in the UK and the US, which come in a context of deteriorating conditions for all the composite insurers, descended to an even greater extent than many analysts had expected.

However, Mr Nelson Robertson, chief general manager, injected a spark of optimism into the results announcement by noting that: "In each of our major markets our results have shown an improving trend within the first quarter, and that trend has continued into April."

He said GA still expected an overall improvement in 1991, results over those for 1990, when pre-tax losses were £131.3m.

Worldwide underwriting losses were higher at £167.3m, compared with £153.9m.

The general effects of the recession coming at a time of a competitive squeeze on rates;



Nelson Robertson: benefits of cost control measures beginning to show through

has hit GA hard along with the other composite insurers. In addition there have been increases in arson and crime-related and subidence claims.

Yesterday, Mr Robertson reiterated GA's commitment to seek rate increases rather than higher volumes and said benefits of cost control measures were beginning to show through.

GA's latest retrenchment measure, announced last month, is the winding down of NZI Bank, its New Zealand bank subsidiary. Within these figures the bank produced a

profit of £200,000, compared with a £1.5m loss.

The UK underwriting deficit worsened to £92.5m (£82.2m) despite the adverse weather impact on the comparable figure. Losses were particularly marked on the motor account. However, motor claims frequency improved as the quarter progressed and GA will now start benefiting from rate increases.

In the US, underwriting losses were £39.7m (£25.2m). An improvement in commercial business was more than offset by a deterioration in personal lines.

The estate agency deficit was £5.2m (£5.5m). The loss per share was 13.8p (14.8p).

## Leeds Grp rises despite difficult six months

By Alice Rawsthorn

LEEDS GROUP, the textile company specialising in dyeing and printing, yesterday announced a slight increase in interim pre-tax profits from £1.8m to £1.87m, despite the troubled state of the textile market.

Mr Robert Wade, chairman and managing director, said it had been a "very, very difficult six months" but that the group had "managed to hold its own". He said there had been no sign of recovery so far in the second half and that the future was "very uncertain".

Earnings per share for the six months ended March 31 1991 were 11.5p (11.4p). The interim dividend is held at 3p.

But Mr Wade said he would be "very reluctant" not to increase the final given that the group had increased its total dividend every year for the past 20 years.

Leeds' shares were unchanged at 237p on the announcement yesterday.

Turnover fell to £13.84m (£13.89m), reflecting the increase in the proportion of commission processing and the sharp fall in the wool price.

Leeds had to write down its own stock values when the wool price first fell last summer and was forced to do so again — by £100,000 taken above the line — after it dropped further in February.

Mr Wade said the group had been able to adapt to the downturn in the market, mainly by reducing the number of working hours by 15 to 20 per cent. However, he said, that had meant that some employees had left the group because of the corresponding fall in their wages.

## Higher finance costs send Fitzwilson lower

By Kieran Cooke in Dublin

HIGHER INTEREST charges left 1990 pre-tax profits at Fitzwilson, Dublin-based holding company, down at £111.7m (£110.56m), compared with £112.1m.

Operating profits for the company, headed by Mr Tony O'Reilly, the Irish-American businessman, and Heinz chief executive, were up 20 per cent to £113.2m (£91.1m). Turnover increased to £420m (£324m).

The company described the results as "creditable, when measured against the economic conditions of our main markets".

The cash and carry operations had grown to be among the top six in the sector in the UK, the company, Keep Trust, the motor distribution business purchased for £54m in early 1988, had a difficult second half due to the nationwide

fall off in car sales.

Fitzwilson warned of continued difficult trading conditions in the first quarter of the present year.

Earnings per share fell from 11.2p to 7.9p. Fitzwilson's share capital expanded greatly following a fund raising exercise early last year to purchase a 9.3 per cent stake in Waterford Wedgwood, the china and crystal group.

Earlier this month Waterford Wedgwood announced pre-tax

losses for 1990 of £21.4m, compared with losses of £50.6m. However there was a considerable improvement in the second half operating profit to £6.7m (£524.7m) and group debt had been reduced from £122.5m to £128m.

The trading results of Waterford Wedgwood are not incorporated in Fitzwilson's 1990 earnings.

At the end of the period net bank debt was £62m, a debt/equity ratio of 9.2 per cent.

The company, which was restructuring in 1987 with backing from a number of wealthy US-based shareholders, has recently concentrated on the cash and carry businesses mainly in the north of England, and its UK motor distributorships.

Mr Kevin McGran, chief

## BOARD MEETINGS

The following companies have notified dates of board meetings to the London Stock Exchange. Other meetings and other notices of meetings are not available as to whether they are to be held in the UK or abroad and the other documents shown below are being issued on last year's timetable.

TODAY: Interim: Avon Rubber, Concorde, Country

May 22

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FT LAW REPORTS

## Bank retains right to order disclosures

A AND OTHERS v B BANK, BANK OF ENGLAND INTERVENING

Queen's Bench Division  
Commercial Court  
Mr Justice Hirst  
May 10 1991

THE BANK of England's statutory power to order an authorised deposit-taking institution to disclose documents which the Bank reasonably requires for performance of its supervisory functions, overrides a court order restraining the institution from disclosing the documents to any third party pending trial of an action against it.

Mr Justice Hirst so held on an application by the defendant, B Bank, for directions as to whether despite an injunction restraining it from disclosing documents pending trial of an action by the plaintiffs, A and others, it was free to comply with a Bank of England notice for their disclosure.

HIS LORDSHIP said that on August 13 1990 Mr Justice Morley granted A and others an injunction restraining B Bank, until trial or further order, from disclosing to the New York grand jury or "any third party" all documents and information held by B Bank at its London branches or elsewhere within the jurisdiction.

B Bank had been ordered by a subpoena issued in New York on July 24 1990 to produce the documents referred to in the injunction.

On April 26 1991 the Bank of England served on B Bank a notice under section 39(3)(a) of the Banking Act 1987, requiring it to produce specified documents comprising all or some of the documents covered by the injunction.

The documents related to the accounts of seven of the plaintiffs, including A, on the ground that they were reasonably required by the Bank of England for performance of its functions under the Act.

The notice specified various classes of documents relating to "acquisition" of three US banks by a US bank holding company.

On the present application B Bank sought directions as to whether notwithstanding Mr Justice Morley's order it was at liberty to comply with the section 39 notice.

B Bank was anxious to comply with the notice, but was concerned that compliance might breach the injunction.

Section 1(1) of the Banking Act provided that the Bank of England should have the powers conferred on it by the Act "and the duty generally to supervise the institutions authorised by it in the exercise of those powers".

By section 3 no person in the UK could accept a deposit in the course of a deposit-taking business, unless authorised by the Bank of England.

One of the minimum criteria for authorisation was that the business must be conducted "in a prudent manner". B Bank was an authorised institution.

Section 39(2) empowered the Bank, by notice in writing, to require an authorised institution to disclose to it such information or documents as it might reasonably require for performance of its functions under the Act.

Section 40(1) provided that any person who "without reasonable excuse failed to comply with a section 39 requirement, should be guilty of an offence and liable to imprisonment or fine".

Section 40(2) provided that Bank of England officers might enter any premises occupied by a person on whom a section 39 notice had been served, for the purpose of obtaining the required information or documents.

Section 40(3) provided that any person who intentionally obstructed those officers would be liable to imprisonment or fine.

The basis for the section 39 notice was set out in an affidavit sworn by Mr Roger Barnes, assistant director of the Bank of England and head of the banking supervision division.

His evidence was that notice was served for the purpose of an investigation into information from the board of governors of the Federal Reserve System, that B Bank had acquired control of a US bank holding company and subsidiaries, and two other banks, in violation of US law.

He said he was also informed that B Bank and its agents appeared to have made false and fraudulent statements to the board, regarding ownership and control of the bank holding company and another bank.

He said, if true, those matters were of concern to the Bank of England as supervisor of B Bank. He was satisfied that the documents were necessary for the Bank of England to discharge its supervisory functions in respect of B Bank.

Rachel Davies  
Barrister

He was also satisfied that it was "reasonable" to require production of the documents.

The main issue was whether section 39 overrode the injunction. Mr Beloff for B Bank said there was no basis for implying an exception to the prohibition in the injunction to the effect of "otherwise than pursuant to a section 39 notice".

He said Parliament could by legislation have provided for revocation or variation of an injunction, but it did not do so in section 39. It would be surprising, he submitted, if Parliament had given the Bank of England the right to issue notices calling for immediate production of documents which overrode court orders, and it would be constitutionally anomalous to allow an executive order to override a judicial order.

He submitted that a court order provided a "reasonable excuse" within section 39(1).

Mr Langley for the Bank of England said the basis of the injunction was the bank/customer relationship of confidence, and it was well-established that the duty of confidence was overridden by the duty to comply with the law (see *Taylor v. I [1989] 3 All ER 353*).

Since the Act overrode the duty of confidence, he said, it must also override *inter partes* orders made on that basis, otherwise the Bank of England could not properly discharge its public duty of supervision.

As to section 39(1) he relied on *Bank of England v. Riley*, CA unreported, October 17 1990.

There Lord Justice-Ralph Gibson, referring to exclusion of privilege against self-incrimination under section 42 of the Act, said that "reasonable excuse" in section 42 covered "such matters as physical inability to comply with a requirement for information or documents arising from illness or accidental destruction".

Finally, he said, there was a strong presumption against the court having made an order which could have the effect of overriding or emasculating section 39.

Mr Phillips for A and others supported Mr Beloff's arguments.

The statutory purpose of the Act was contained in section 1.

The scope of the public duty to supervise authorised institutions was extremely wide, since the authorised institutions included, under section 3, all "deposit-taking business".

In fulfilling that duty the Bank of England might often be faced with situations where extremely urgent action was required, and where delay could result in losses to substantial numbers of customers of such institutions, whose interests the Act was designed to protect.

Mr Beloff and Mr Phillips had argued that the Bank of England would not suffer any inconvenience if it had to apply to vary an injunction before it could set the section 39 process in motion.

That argument was rejected. In most cases the Bank of England would not know of the existence of an injunction until after notice was served.

It was manifest that fulfilment of the Bank of England's public duty overrode the duty of confidence to customers.

Both Mr Beloff and Mr Phillips placed strong reliance on section 39(1), but an injunction did not qualify as a "reasonable excuse" within that subsection.

The situations envisaged by subsection (1) were well illustrated by *Riley*, which was dealing with the same words in another section of the same Act. The terms of section 40 strongly supported those conclusions.

Section 40(1) allowed Bank of England officers to enter premises with no protection of "reasonable excuse" accorded to the person on whom the notice was served.

Indeed, any obstruction would, under subsection (3), expose that person to the risk of prosecution.

Section 39 overrode the injunction.

For the reasons given by Mr Langley the injunction as framed should be interpreted as not prohibiting compliance with the section 39 notice.

Mr Barnes's evidence was accepted in its entirety. The documents were reasonably required by the Bank of England for performance of its functions under the Act.

Mr Phillips said the notice was defective because it specified documents by class, not individually.

It was proper for documents to be specified by class in a section 39 notice.

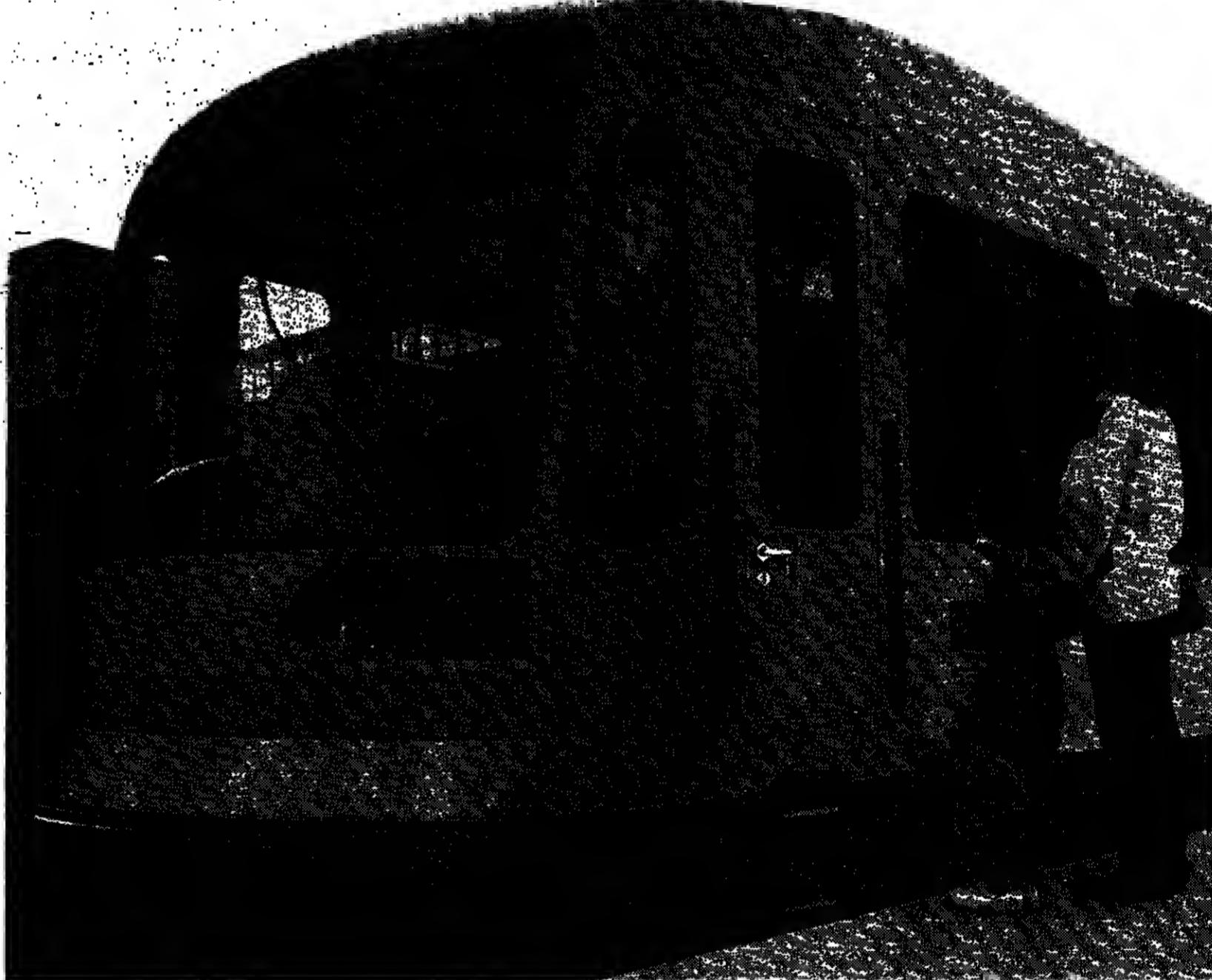
For B Bank: Michael Beloff QC and AD Malek (Stephenson Harwood).

For A and others: Trevor Phillips QC and Timothy Waddington (Beresford Leighton).

For the Bank of England: Gordon Langley QC and Thomas Keith (Freshfields).

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## COMMODITIES AND AGRICULTURE

## Western companies await decision by Soviets on oil

By John Lloyd in Moscow

WESTERN oil companies expect a decision from the Soviet authorities within the next few months on their participation in major oil fields in the Soviet Union.

The Soviet Oil and Gas Ministry told the companies that it is considering forming some 15-20 consortia of oil producing enterprises, which would be granted the freedom to trade more freely with the west, and to grant concessions and attract the investment of western partners.

The first decision is likely to be made on the so-called Azeri field, in the deep waters of the Caspian Sea, off Baku, the Azerbaijani capital.

Three companies - the US companies Amoco and Unocal and the British company BP - are now on a short list of possible developers of the field, with one likely to be chosen as a main contractor and the other two also participating.

The total reserves in the field are estimated at between 650m-700m tonnes, with recoverable reserves put at over 250m tonnes.

Though the Union ministry is co-ordinating the projects,

the Azeri authorities are being allowed a relatively wide degree of latitude to determine the contracts, according to western oil companies.

One recent sign of liberalisation is a report that the enterprises in Tyumen, the Soviet Union's largest oil producing region in Siberia, are to be allowed to trade in barrels of oil through a commodity exchange opened by the enterprises in Moscow.

Mr Valery Neverov of the

Khanty, the large US oil company, said yesterday it had found oil in the Gulf of Mexico, writes Deborah Haragreaves. The discovery was potentially significant.

commodity exchange council said that brokers' seats were being sold for Rs500,000 for Soviet participants and Rs100,000 for foreign participants, until the end of August.

An initial test sale at the end of last month saw 6,000 tonnes of oil sold at between Rs17-245 a tonne.

Mr Eugene Khartukov, head of the World Energy Analysis and Forecasting Group in

Moscow, told a conference in Singapore that the Soviet Union would be a net importer of oil by 1996.

He said that unless radical market reforms were continued and foreign oil companies encouraged to co-operate with Soviet producers, the production levels of last year at 11.5m barrels per day (bpd) would decline by the end of the century to 8m bpd. At the same time, the present level of domestic consumption at 8.5m bpd would rise to 11m bpd.

Mr Khartukov said that a free economy and an influx of western investment would lead to an output of 12m bpd by the year 2000. However, on the more likely forecast of slow reform, production would fall slowly to 10m bpd by the end of the century.

"The oil producing fields are badly watered and depleted and at least one third of the oil pipelines need replacing. But who really cares when there is not the slightest stimulus to work - let alone work better and ever-worsening living and working conditions tempt the oil workers to go on strike."

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## Chilean miners want copper-bottomed deal

Lesley Crawford in Santiago on the critical labour issue facing Aylwin's government

**C**hile's powerful Copper Workers Confederation (CTC) will be pressing for large wage increases and the restitution of privileges lost under military rule when pay talks begin with the state copper corporation Codeco this week.

Negotiation on new two-year contracts for Codeco's 26,000 employees is by far the most critical labour issue facing Chile's year-old civilian government. Since democracy was restored in March 1990, copper miners have won back the right to collective bargaining and the right to strike. Chuquicamata is the world's largest copper mine. After Gen Augusto Pinochet's 16-year dictatorship, the unions are brimming to test their strength.

The talks kick off on May 16, when Chuquicamata's 9,000 workers lodge their pay claim. Mr Mario Pizarro, a union leader at the mine, says the negotiations will be "complicated and very tough." The miners are seeking a real wage increase of over 15 per cent for the next two years. This is expected to form the benchmark for negotiations at Codeco's three other mining divisions - Andina, Salvador and El Teniente.

Mr Maximo Pacheco, Codeco's operations vice-president, says the company is investing millions of dollars to improve safety at work, maintenance and environmental standards. But there is one union demand on which the company will not budge: the miners want Codeco to purge

managers who were appointed under Gen Pinochet's rule, and have staged go-slows in Chuquicamata and El Teniente to protest against their "authoritarian" practices. Mr Pacheco says there will be no political witch-hunt inside Codeco. Managers are assessed on their technical abilities alone.

Codeco has until the end of May to reply to CTC's pay claim. Negotiations will begin in earnest in June, when both sides meet to hammer out the new two-year contracts. And for the first time ever, miners will have the right to vote on Codeco's final offer in a secret ballot.

Codeco's executives, appointed by President Patricio Aylwin, are confident that their first pay negotiations will not lead to strikes. "There is a new climate of understanding in the country and a will to avoid confrontation," says Mr Pacheco. He points out that Codeco's miners are the best paid in the country. Wages average \$440 per month, and a host of bonuses and incentives top up earnings with another \$300.

But Codeco, which produces about 20 per cent of the world's copper (1.2m tonnes last year),

is caught between the need to reinforce steel arcs and cement injections to keep the tunnels safe.

The need for more investment is pitting Codeco's executives against the government. Since the state company's creation in 1976, all of its profits have been pocketed by the Treasury. The transfers account for about a quarter of the government's income, and the Finance Ministry is reluctant to part with a single peso.

Codeco's annual investment budget of about \$280m is drawn from its depreciation reserves, and according to Mr Pacheco, is barely enough to keep the four divisions ticking over. He estimates that Codeco needs to invest between \$350m and \$450m a year to arrest declining production and to clean up the industry.

Extra sums will be needed if Codeco is allowed to enter into joint ventures with private sector companies to develop new mines. Codeco owns about 30 per cent of the mining property in Chile, but only a fraction of this is being exploited. Mr Pacheco hopes that a new law authorising Codeco to seek mining partners will be in the statute books before the end of the year.

## Canadian gas project approved

By Bernard Simon in Toronto

CANADA'S National Energy Board has given the final go-ahead for construction of a \$3.24bn (\$2.1bn) project to supply Alberta natural gas to power utility consumers and industries in eastern Canada and the north-east US.

As part of the project, which is Canada's biggest gas export scheme, the NEB also approved 15 licences for the export of 1.6 trillion cubic feet of gas to the US for the Iroquois Gas Transmission System.

The project involves construction of 1,380km of pipeline and 21 new compressor units on the Canadian side of the border, as well as a pipeline network as far south as Long Island in the US.

TransCanada PipeLines of

Calgary, which operates the Canadian pipeline and is a 20 per cent shareholder in the Iroquois consortium, has already completed one section of the project in northern Ontario, and construction of the US portion is well advanced.

The first deliveries of gas to the Iroquois system are scheduled for this November. If all goes well, this volume will pick up from 50m cubic ft a day in November to 237m next January and the full 576m in November 1992.

In its report, which is the culmination of a two-and-a-half year regulatory process, the NEB acknowledged that the north-east US gas market is a highly competitive one, and that the long-term size of it is uncertain.

However, it concluded that if there is a risk in demand projections, it is probably on the upside.

The board concluded that "contracts have been signed and commercial agreements made which indicate a market for gas and a role for Canadian supplies at least over the periods of the contracts underpinning the expansion." The contracts generally extend for 15 years.

The growing popularity of natural gas is reflected in a proposal announced late last week by the New York Power Authority to build a 150,000 kilowatt gas-fired power station to supply electricity to Long Island. The plant will also be able to use distillate oil as fuel.

The Fox contract is traded on its screen system, which has the advantage of much lower overheads than a pit trading system. The London trade business which had been forced to go to Paris rapidly switched back to the capital, and the Fox market now provides the benchmark price for white sugar.

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However, it remains a small market, trading an average of 1,000 to 1,500 lots (50 tonnes each) a day, compared with 800 to 900 lots a day in Paris.

Fox launched its white sugar contract while the raw sugar contract was still trading through open outcry. However, early this year Fox put the raw sugar contract onto screen trading after volumes had fallen dramatically.

The benchmark price for raw sugar is taken from the New York market, where volumes are large, attracting speculative money. One of the reasons for mooted a unified white sugar market in Europe is the fear that New York might revivify its own white sugar contract, which barely trades.

Fox stresses that talks are at a very early stage, pointing out that there are all sorts of legal and regulatory hurdles which would have to be overcome. While a unified market would be more likely to use screen trading, even this has not been decided yet.

However, Mr Jon Payne, marketing director at Fox, is convinced the merger "has got to come". He points out that Europe, a big exporter of white sugar, is now the centre of the world trade in physical sugar

market, min. 99.9 per cent, \$ per lb, in warehouse, 1,640-1,880 (1,660-1,700).

**BISMUTH:** European free market, min. 99.99 per cent, \$ per lb, in tonne lots in warehouse, 2.48-2.56 (2.50-2.56).

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TransCanada PipeLines of

### MINOR METALS PRICES

Prices from Metal Bulletin (last week's in brackets).

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The first deliveries of gas to the Iroquois system are scheduled for this November. If all goes well, this volume will pick up from 50m cubic ft a day in November to 237m next January and the full 576m in November 1992.

In its report, which is the culmination of a two-and-a-half year regulatory process, the NEB acknowledged that the north-east US gas market is a highly competitive one, and that the long-term size of it is uncertain.

However, it concluded that if there is a risk in demand projections, it is probably on the upside.

The board concluded that "contracts have been signed and commercial agreements made which indicate a market for gas and a role for Canadian supplies at least over the periods of the contracts underpinning the expansion." The contracts generally extend for 15 years.

The growing popularity of natural gas is reflected in a proposal announced late last week by the New York Power Authority to build a 150,000 kilowatt gas-fired power station to supply electricity to Long Island. The plant will also be able to use distillate oil as fuel.

The Fox contract is traded on its screen system, which has the advantage of much lower overheads than

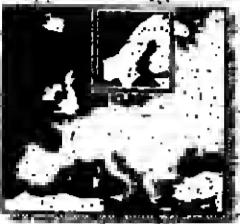
## FINANCIAL TIMES SURVEY

**Economy in good shape despite worries on unemployment** Page 2

## NORWAY

Wednesday May 15 1991

**Oil and gas: where prospects couldn't be better** Page 4



Norway's relations with western Europe now dominate its political and economic life. Mrs Brundtland, the prime minister, believes it will be a long haul to convince her countrymen that their future lies inside an expanded Community, writes Robert Taylor

## On edge over Europe links

NORWAY this spring seems paralysed by indecision, over its future relations with western Europe. With its neighbour Sweden about to send off a membership application to join the European Community and the probability that the current EC-EFTA negotiations on the European Economic Area will produce at best only a feeble agreement, the country remains unsure of what it should do. With signs of growing organized opposition to any suggestion that Norway should become an EC member,

The timetable for European integration is going by fast for the comfort of most Norwegians. Many are full of gloom about the prospects, afraid that any national debate over joining the EC will revive all the old bitterness and conflict that scarred the country's referendum on the subject 19 years ago. At this month's May 1 Labour rallies many people brandished "No" to the EC posters, showing that emotions remain high in Norway on the issue - to the alarm of leading members of the Norwegian minority Labour government.

The rest of Europe may have experienced tumultuous change since the summer of 1989 but memories in Norway



Prime minister Brundtland (left) and a key rival, the Conservative leader Kaci Kullmann Five

still seem fixed firmly on the trauma of 1972 with most people agreeing there must be no repetition of that painful time which led to rejection of membership of the Community.

Unfortunately for Norway, it will be difficult to avoid fresh convulsions over the EC. The country is going to be forced - perhaps sooner rather than later - to take a view on whether or not to apply for membership. To Mrs Gro Harlem Brundtland, the Labour prime minister, the political dilemma is acute though it is not sufficiently recognised as such outside Norway.

Her minority government came to power only last November, when the non-Socialist coalition which had been formed just over a year earlier after the indecisive September 1989 general election collapsed. With only 63 seats in the 165-strong parliament, the Labour party relies on the support of others to stay in office. Yet, under the constitution, the government cannot call a new general election. The present parliament has to remain in being until September 1993.

Mrs Brundtland is known personally as a strong supporter of EC membership but she does not want to have to

reach her intentions clear on the question for the time being.

The prime minister repeatedly says the Labour party will make up its mind at its next conference in November 1992. A discussion document on the subject is to be published this autumn for debate by party members in the run-up to the conference. The leadership will make its position clear then, but Mrs Brundtland's step-by-step strategy is designed to keep the party together as long as possible.

Nevertheless, the Labour party leadership might seize on the timetable. On June 21-22, when the governing council is due to meet, party members may try to force the EC question onto the agenda.

They could demand the calling of a special party conference to decide on the EC and under Labour's rules this could be held after six months. Much depends on how the discussions go in the next few weeks between the EC and EFTA.

Feelings among many Norwegians about the EC still seem deep and divided. "It is no good telling people here that we should join the EC because other European countries want to do the same. We have to find strong Norwegian

reasons why we should do so," explains one sceptic.

Indeed, the Norwegian government believes there is no real need for haste. Ministers have been told by Brussels that negotiations on the inclusion of new member states in the EC are unlikely to start until 1993 so there is plenty of time for Norway to prepare itself alongside the other Nordic states which want to join EC.

moreover, it is often forgotten

that the preliminary work on the country's EC membership was done 20 years ago when Norway first applied.

Mrs Brundtland and her colleagues believe it will be a long haul to convince the majority of Norwegians that their frustration inside an expanded Community. That attitude may seem ultra-cautious but it reflects an awareness of public opinion. "Apparently 45m people inside the EC are wrong about it and 4m Norwegians are right," says Mrs Five, the Conservative leader.

What those who want Norway to join the EC have to avoid is any suggestion that

the country has no real choice to make. The pro-EC campaigners in 1972 warned that if Norway did not join the EC it would be devastating for the economy and destroy people's living standards. In fact, the opposite happened.

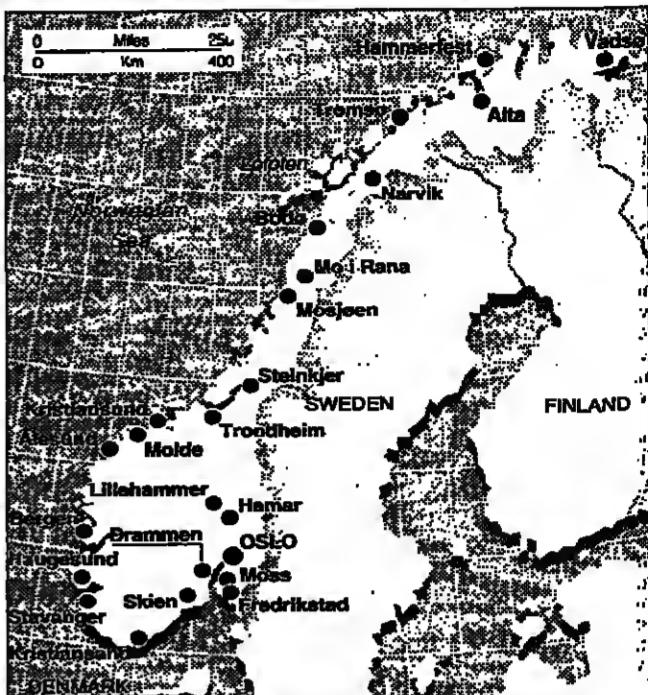
Oil and gas revenues after the mid 1970s heralded a new era of unprecedented prosperity for Norway as it became one of the two largest energy suppliers in western Europe. The realisation that Norway could get along quite well on its own strengthened the anti-EC position.

Yet, whether people are aware of it or not, Norway is moving inexorably closer to the rest of western Europe under the pressure of the country's increasing internationalisation. The most obvious public sign of this has been the financial liberalisation which culminated in the abolition of foreign exchange controls in the summer of 1990.

Last November Norway took another important step towards an integrated capital market for western Europe when it was decided - with little fuss - to peg the krone to the European currency unit, the Ecu. Mr Hermod Skanland, governor of Norway's Central Bank, says that the country intends to go further and link the currency to the exchange rate mechanism of the European Monetary System.

The policy-makers accept Norway cannot cut itself off from the rest of Europe and that its freedom of action is already severely limited by its international obligations. But they also recognise they must argue and persuade most Norwegians to accept the desirability of EC membership. It will not be easy.

Norway remains in a troubled, peculiar mood at the moment. "There are more people with open minds than closed ones now over the EC," said one of Mrs Brundtland's senior advisers. But nothing can be left to chance. The sooner the arguments for the EC are deployed in the national debate, the better. Otherwise those stubborn forces of history and geography will ensure that Norway remains aloof from the process of European integration.



## KEY FACTS

	1989	1990
Area	386,958 sq km	106.8
Population	4.25 million (1990 estimate)	
Average Exchange Rate	1989 \$1 = Nkr6.90 1990 \$1 = Nkr6.26	
<b>ECONOMY</b>		
Total GDP (\$bn)	90.9	106.8
Real GDP growth (%)	1.2	1.8
GDP per capita (\$)	21,488	25,135
Components of GDP (%)		
Private Consumption	50.3	50.8
Gross Fixed Investment	27.2	18.6
Stockbuilding	-2.5	2.1
Government Consumption	20.8	20.8
Exports	41.8	43.7
Imports	-37.8	-36.3
Consumer prices (% change p.a.)	4.6	4.1
Unemployment (% of labour force)	4.6	4.4
Reserves minus gold (\$bn)	13.8	15.3
Discount rate (% per year end)	11.0	10.5
Oslo SE industry index (% change over year)	+46.8	-1.4
Current account balance (\$bn)	0.2	3.4
Exports (\$bn)	27.2	23.2
Imports (\$bn)	23.4	18.6
Trade Balance (\$bn)	3.8	4.6
<b>Main Trading Partners 1988, % by value</b>		
Exports	Imports	
UK	26.8	8.7
Sweden	12.4	16.1
West Germany	12.1	14.4
US	8.8	11.8
EC	65.2	46.1
Elsewhere	16.2	24.5

Source: IMF, Datastream, Economist Intelligence Unit

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## THE ENVIRONMENT

## Building on a green reputation

THE BIGGEST challenge for Norway is to combine its role as one of Europe's leading petroleum producers with that of being in the front line of work to reduce relentless petroleum emissions resulting from the combustion of fossil fuels, says Mr Jens Stoltenberg, the Secretary of Environment.

"For us it is important to demonstrate that we take seriously the issue of the greenhouse effect, particularly because we are one of Europe's biggest net petroleum producers," he explains.

It seems almost a paradox that Norway has a reputation as one of the "greenest" countries in the world, despite its increasing North Sea petroleum production.

The tiny country's green international reputation, however, is largely built on the leading role played by Mrs Gro Harlem Brundtland, the prime minister, in the United Nations World Commission on Environment and Development.

The commission produced a report which not only raised world consciousness about the threat to the environment but concluded that it now represents a threat to global and regional economic and social development.

Norway produces just 0.2 per cent of the world's carbon dioxide emissions, which are believed to be the main contributor to so-called greenhouse gases blamed for raising world temperatures.

The earth's average temperature is estimated to increase by 2.5 degrees by 2025, and by three degrees by the end of the next century. This increase is expected to raise the sea level at an average rate of 6 centimetres a decade.

Carbon dioxide from Norway's offshore North Sea platforms account for 16 per cent of the country's total annual emissions. In 1988 CO<sub>2</sub> emissions reached 34.5m tonnes, or roughly 55 per cent of total emissions. They have since remained at about that level.

It is estimated by the UN's IPCC, - Intergovernmental Panel on Climate Change - that 5.16bn tonnes of CO<sub>2</sub> is emitted worldwide on an annual basis (1.06 per person).

Industrialised countries account for 74 per cent of the total, although they comprise just 24 per cent of the world's population. The US emits 24 per cent of the world's CO<sub>2</sub>, or roughly 5.1 per cent.

Norway has signed a number of international treaties to reduce emissions and has implemented new domestic taxes and reduced import taxes on burning fossil fuels. But its environmental policy seems almost to be on a collision course with its energy policy.

Evidence of this was presented earlier this year when the owners of the Hafdrum oil and gas field presented a development plan which called for both oil and gas to be produced. The oil would be sold in

world markets but the gas was to supply a planned methanol plant and a gas-fired power generation plant, both to be situated on the mid-Norway coast.

Norwegian authorities approved the plan for oil production but postponed the one for gas production until further environmental impact and economic feasibility studies could be completed. Proponents of the methanol project argue that though Norway's emissions will be increased by methanol production, the methanol will be used as a component to lead-free gasoline that automobiles in other countries can burn at less danger to the environment.

Opponents of the gas-fired power generation facility argue that Norway's hydro-power, which generates electricity, is cleaner and cheaper and there-

## A collision course between environment and energy policies

fore a better alternative to gas-fired power.

Norwegian petrol is already heavily taxed, with the state taking about two-thirds of the price of every litre of petrol.

Earlier this year Norway introduced a tax on gas burnt at North Sea platforms. That is expected to raise NOK700m in 1991, but NOK100m of the total amount is earmarked for a global climate fund aimed at helping poor countries to clean up the environment. Norway currently produces 1.5m barrels of oil a day but production is expected to increase to 2.4m barrels by 1996 and remain above 2m barrels a day till the end of the decade.

The country also produces an annual average 25bn cubic metres of gas and is one of Europe's main gas suppliers. Norway currently exports most of its petroleum production because its electricity, since the 1970s, has been generated by clean, cheap hydro-power. The country has been touting its gas supplies to Europe - particularly the polluted east European countries - which could use gas as a cleaner way to generate power as a replacement to more polluting coal and oil.

Paradoxically, if Norway

replaced hydro-power generated electricity with gas-fired power generation, its CO<sub>2</sub> emissions would increase significantly.

A ministerial report published in March concluded that Norway's North Sea oil industry will cause a sharp rise in carbon dioxide emissions - by around 60 per cent from 16 per cent - by the year 2000 unless new measures are introduced to help curb outlets.

The report recommended boosting taxes on the burning of fossil fuels. A litre of gasoline currently costs NOK7.20 but the report suggested that the state add NOK2 in taxes by the turn of the century.

Norway has pledged to stabilise carbon dioxide emissions at 1988 levels by the turn of the century and reduce sulphur dioxide emissions by 30 per cent by 1993 and a further 30 per cent by 1996. In addition, nitrogen oxide (NOx) emissions must be stabilised at 1986 levels (NOK4,000) by 1996.

Under the North Sea Declaration signed in The Hague by countries which border the North Sea, Norway has agreed to reduce spillage of sulphur acids into the North Sea by 50 per cent by 1995.

But, in February at the World Economic Forum in Davos, Mrs Brundtland said that today's international environment agreements are not capable of achieving optimum results because the costs of reducing emissions vary considerably from country to country. "The implications of reducing emissions must not lead to a tangible distortion of competition," she declared.

Uniform percentage reductions of emissions are not a cost-effective way to achieve environmental goals, nationally or internationally, she believes.

For example, Mrs Brundtland said that although acid rain is a serious problem for Norway, roughly 90 per cent of it is generated by other countries. She suggested that further reductions in Norway's "low" sulphur dioxide emissions would cost 10 times as much as similar reductions in Poland and therefore the environment would be improved more quickly by investing in a clean-up operation in Poland rather than in Norway.

Similarly, Japan is responsible for 14 per cent of the world's gross national product but accounts for just 5 per cent of world CO<sub>2</sub> emissions whereas China generates just 2 per cent of the world's GNP, but generates as much as 9 per cent of its CO<sub>2</sub> emissions.

To achieve maximum environmental benefit for the minimum cost, a new generation of environmental agreements at the global level must be developed, Mrs Brundtland suggested.

To this end, Norway is seeking support for a new concept called "tradable CO<sub>2</sub> quotas".

The way this quota scheme is meant to work is that a global ceiling for emissions would be established with each country - or region - reducing emissions according to an emission quota within the global ceiling.

Countries - or regions - could choose either to use their quota or trade them. Those

where the costs of reducing emissions are high could buy quotas from other countries which could use to reduce emissions are low.

Emission quotas could be paid for in several ways, Mrs Brundtland suggests, not only in the form of money, but also by delivery - to other countries - of clean energy, pollution control technology, or by a combination designed to promote environment and development. In the US a similar scheme works to curb total emissions of sulphur dioxide.

Tradable emission quotas would serve Norway well for the country contributes very little to the greenhouse effect, while it produces an abundance of gas which other countries could use to replace polluting coal and oil for power generation.

But there is some anxiety that an international agreement on reducing CO<sub>2</sub> emissions would force world crude oil prices to fall to a level which could reduce annual income to Norway's oil-dependent economy by between \$2.7bn and \$3.5bn. In 1990 income from the petroleum sector represented 13 per cent of Norway's GNP while petroleum accounted for 30.2 per cent of total exports.

Karen Fossli

## Karen Fossli looks at controversial tax reforms

## 'War' on shipping

sary ship maintains ice and repair, let alone modernise their fleets.

Norway's shippers currently have a total of 160 ships on order, roughly 15 per cent of the world total, worth NOK11bn.

Mr Per Morten Viget, a director with the Norwegian Shipowners' Association, an influential lobby group, says that the tax reform is viewed by his members as a near-declaration of war on shipping. It would give Norway the strictest tax system on shipping in western Europe, he says.

According to the association, the proposal, which calls for a cut in the depreciation rate for ship investments to 14 from 25 per cent, will make it too expensive for shipowners to embark on fleet renewal projects.

There may be a rapid exodus of shipowners in the near future

grammes.

Mr Viget points out that most of Norway's west European shipping competitors have a depreciation rate on ship investments of between 25 and 30 per cent. He argues that a possible consequence of the reform will be a decline in investments and gradual "flagging out" of the shipping fleet to more accommodating countries such as Liberia.

However, the period of rapid expansion may grind to a halt and obstruct opportunities for continued maritime growth through the modernisation of the domestic fleet. In the near future Norway could see a rapid exodus of its shipowners because of the planned overhaul of the 50-year old tax system which they claim will significantly reduce their international competitiveness and restrict the competitive flexibility to renew the ageing fleet.

The tax proposals were announced just after Norway hosted an international conference on safety at sea which stressed the necessity of renewing the fleet to minimise maritime risk and reduce the number of accidents at sea.

Mrs Eldrid Nordhøe, Norway's minister of trade and shipping, told the conference that the average age of the merchant fleet had so increased that some shipping companies found it difficult to meet the expenses for necessary

Although the tax reform will allow large tax-free gains, accumulated in limited shipping partnerships under the existing regime, to be converted into onshore equity investments, this may prove to be of little use to shipowners strapped for extra cash to invest in stocks.

Though so far only a proposal, the tax reform has had a negative psychological impact on investors in shipping equities. The Oslo bourse's shipping index started last year at 820.71 points and sailed to a year's high of 1,028 points by mid-March of this year only to fall back to 578.31 points at mid-April, a week after the tax proposals were announced. The index fell more than 50 per cent between mid-March 1990 and mid-January of this year. In February the shipping sector was valued at NOK22bn, or roughly 20 per cent of the value of the Oslo market.

Before the tax reform was announced, for implementation in 1992, analysts had forecast a good, solid overall performance for the industry this year based on a combination of high charter rates, good demand and a strong dollar.

Now shipowners hope that the opposition, with a majority in the Storting, will either throw out the tax proposal or call for amendments to bridge the disparity between Norway and its competitors.

But with the seasonal doldrums of spring and summer, charter rates and share prices are expected to drop, adding to the crunch on raising funds to renew the fleet. In the last two years some NOK2.5bn has been raised by shipping companies on the Oslo bourse.

If Mrs Nordhøe is to see Norway's fleet renewed, her government may have to compromise on its stringent tax reform proposal to keep the path of investment to modernisation free from obstruction.

Mr William O'Neil, secretary general of the UN International Maritime Organisation, told delegates of Norway's safety at sea conference that statistics show conclusively that old ships are prone to a higher number of accidents than new ones.

Last year Bergesen nearly doubled profits to a record NOK250m from NOK125m in 1989 mainly because of gains from securities trading.

FINANCIAL TIMES	
1990-91 RELATED SURVEYS	
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## Highlights

	1990	1989
Operating revenue	NOKm.	13,088
Profit before extraordinary items	NOKm.	1,046
Cash flow	NOKm.	1,339
Order intake	NOKm.	13,146
Return on total capital	%	12.3
Earnings per share	NOK	25.00
Number of employees		17,500
		12,000

KVÆRNER

## NORWAY 4

**Karen Fossli on the possible impact of the 'green wave'**

## Europe's top oil producer

DURING the next decade Norway will approve no fewer than 60 to 70 small satellite oil-field developments - up to 10 annually - to help maintain crude oil production above 2m barrels a day. The new fields could contribute up to 1m barrels to daily production.

According to Edinburgh-based County NatWest Wood-Mac (CNWM), the analyst, this year Norway overtook Britain as Europe's biggest oil producer with an estimated annual average oil and natural gas liquids (ngl) production of 1.94m barrels a day, 13 per cent above last year's level.

CNWM reckons Norway is likely to achieve petrolium production of 2.4m barrels a day by 1996. In the fourth quarter of this year production will surge to a new record of 2.1m barrels a day.

By unofficial figures from the Ministry of Petroleum and Energy, next year's pure oil production at about 1.85m barrels a day rising to a peak of 2.16m barrels a day in 1996.

Norway produces oil from about 30 North Sea fields. Production has yet to commence from the mid-Norway Haltenbanken region but there are two oilfields - Drangen and Heidrun - which are currently being developed. Drangen, situated in the southern part of the Haltenbanken region, will add about 95,000 barrels a day when it hits peak production. Drangen will come on stream in 1993.

Heidrun, located in the northern part of the Haltenbanken region, is being developed according to a phased plan with production scheduled from 1995. However, because of CO<sub>2</sub> emission goals, the authorities postponed a decision until some time this year on the development of Heidrun's gas.

The owners of the field have plans to build a land-based methanol plant and a gas-fired power generation facility which would be based on Heidrun's gas. But, environmentalists argue that Norway's CO<sub>2</sub> emissions would rise to an alarming level. Another alternative would be to re-inject the gas back into the reservoir until it can be sold to the market.

The impact of the "green

wave" sweeping Europe has raised the consciousness of Norwegian energy authorities about CO<sub>2</sub> emissions from offshore installations. This year a CO<sub>2</sub> tax was implemented on the emissions from offshore platforms, the first CO<sub>2</sub> tax in the North Sea. It is estimated that Norway's offshore platforms and pipelines produce 16 per cent of the country's CO<sub>2</sub> emissions, or about 5.6m tonnes in 1990, but this could increase to 60 per cent by the turn of the century if nothing is done.

### Service contractors' breakthroughs in supplying technology to other N Sea sectors

Service contractors will be introduced along with guidelines for equipment used to generate power on platforms.

But Norway fears that an international CO<sub>2</sub> agreement could lead to reduced oil prices, causing oil revenue to fall by NKR15-20bn annually.

The authorities take the environmental issue seriously but at times it seems as if the country's energy policy may be

on a collision course with environmental goals. When submitting field development plans to the authorities for approval, oil companies must, however, demonstrate that the field will be developed with minimum CO<sub>2</sub> emissions.

It is expected that new procedures for monitoring CO<sub>2</sub> emis-

sions for one quarter of export revenue - and little has been done to reduce that dependence. The current annual rate of petroleum exploitation is 110m tonnes of oil equivalent, yielding NKR27bn in net revenue to the state budget.

But a "petroleum fund" was established as a separate account for petroleum income to enable transparency of oil-money spending.

Medium-term guidelines will be introduced on the amount of annual "drawings" on the fund, but additional transfers will have to be approved by the Storting. Oil revenue in excess of NKR1.5bn can be transferred to the fund.

The Oil Industry Association is currently undertaking a study which looks at how the power produced for oilfield consumption can be made more efficient. It is believed that increased efficiency will lead to a reduction in CO<sub>2</sub> emissions.

But Norway fears that an international CO<sub>2</sub> agreement could lead to reduced oil prices, causing oil revenue to fall by NKR15-20bn annually.

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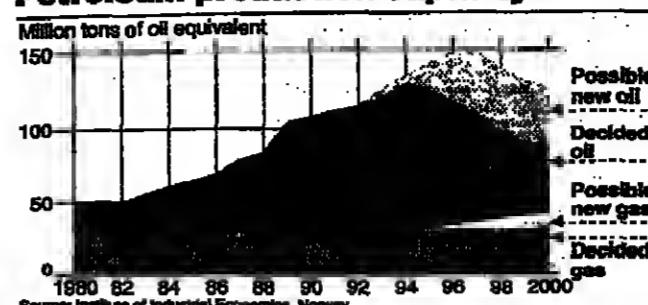
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Norway's economy is dependent on oil income - it

### Petroleum production capacity



increase in world crude oil prices. The oil companies benefited from a large portion of the windfall, but the state boosted net income in that short period by about NKR1.5bn.

The 1991 fiscal budget based on oil prices of NKR120 a barrel to achieve a total of NKR80.4bn for exports of oil, natural gas and pipeline fees.

Quality and taxes paid to the state peaked in 1985 at NKR34.2bn and with the introduction of the new petroleum budget deficit (before loan repayment) plus half of government lending to state banks will be retained in the fund.

During the first 50 days when Iraq invaded Kuwait the wholesale value of Norwegian petroleum increased by about NKR4.6bn because of the way for multinational oil com-

panies to shoulder more of the financial risk burden associated with the petroleum industry.

Official petroleum estimates put the total at about 8.5bn tonnes of oil equivalent (toe), of which 0.85bn toe had been produced by December 1990. In the North Sea existing reserves are estimated to be 3.5bn toe, of which oil and condensate comprise about 40 per cent.

Last year 36 exploration wells were drilled compared to 22 in 1988 but in Norway's 25 year petroleum history since 1962 exploration wells have been drilled. At the turn of the 1990/91 year some nine fields were under development with 10 others waiting in the wings for approval.

One interesting feature about Norway's oilfield exper-

Statoil, the Norwegian state oil company, reckons that it will spend some NKR3bn annually on developing new fields. Norwegian companies have traditionally been awarded the lion's share of goods and services contracts - between 50 and 60 per cent - particularly engineering contracts, while foreign companies dominate delivery of equipment. In 1990 NKR30bn worth of contracts was awarded for upstream petroleum developments.

Norway advocates a increased dialogue between oil-producing and oil-consuming nations as a way to help ensure the stability of world crude oil prices at a "reasonable" high level. The country has offered to host a major conference on "global energy policy inter-relations" which may gather the international support it needs to be staged this year.

There is also concern about long-term, responsible utilisation of global natural resources, particularly with regard to non-renewable sources of energy and to this end the government-backed Dutch prime minister, Ruud Lubbers' initiative could form the establishment of a European Energy Community.

Mrs Brundtland, Norway's prime minister, called Mr Lubbers' plan a visionary suggestion of how a common energy destiny can be structured and how enough energy can be secured without waste to "warm the European house".

### Karen Fossli considers gas prospects

## Outlook 'couldn't be better'

THE FUTURE outlook for Norway's gas industry could not be better. Mr Klaus Liesen, chairman of Ruhrgas, the German gas company which is one of Norway's biggest gas customers, believes that Norway may become the leading gas supplier to Europe in the early years of the next century.

Last month Ruhrgas opened its office in Oslo, symbolic of its desire to co-operate even closer with Norway and of the long-term nature of the two countries' relations.

In an opening speech Mr Liesen pledged to assist Norwegian gas reserves total some 2.75bn cubic metres and there are only eight countries in the world which have larger proven gas reserves.

Interest in Norway's gas has been fuelled by environmental concerns of generating power by coal and fuel oil. Gas is considered to be a more environmentally alternative source of power generation.

Since the green wave swept Europe, interest in Norway's gas seems to know no bounds. Gasunie, another big cus-

tomer, forecasts that Norwegian gas exports to the Continent will double from the current level of 27bn cubic metres annually by the year 2010. This is when Gasunie expects European annual gas consumption to have risen to 540,000 cubic metres from 380,000.

Last month a landmark deal between Britain and Norway was signed in which £150m worth of Norwegian gas a year is to be imported by National Power over a period of 15 years.

The deal, the first of its kind between Norway and a large UK consumer, may force the UK government to change its policy blocking Norwegian gas imports and represents a breakthrough for Norway when only UK gas customer hitherto has been British Gas.

National Power intends to build a series of gas-fired power stations but the new Norwegian imports will be used partly to supply a new 650MW station being planned

for Little Barford, Bedfordshire, or a 1,500MW station planned at Staythorpe, Nottinghamshire.

The electricity industry is the most promising growth area for natural gas developments in combined-cycle gas power plant technology has led to major increases in efficiency.

Statoil believes that stricter emission standards will make coal-based power generation less competitive to gas and CO<sub>2</sub> emissions restrictions are likely to eliminate coal as a competitor to gas in the electricity sector. Policies to mitigate greenhouse gases could have a stronger impact on future gas demand than has yet been realised.

When the giant Troll field comes on stream in 1996, it will become one of the kingpins of supply of gas to Europe. The mid-Norway Haltenbanken region will further underscore Norway's supply ability and later a gasfield off the coast of northern Norway will also constitute an important source of supply.

But the challenge for Norway will be to expand gas production and transport capacity to meet growing demand. Although Norway's gas is a short distance to market it must still compete with other

for Little Barford, Bedfordshire, or a 1,500MW station planned at Staythorpe, Nottinghamshire.

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But it is likely that the Troll field will underwrite future gas sales and that sales of gas from other fields will be brought under the Troll umbrella.

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## FOREIGN EXCHANGES

## Dollar and sterling weaker

THE DOLLAR ended on a weak note in Europe yesterday, despite stronger than expected US retail sales. These fell 0.1 per cent in April, against forecasts of a 0.4 per cent drop, but the main point of note was a revised increase of 0.4 per cent in March sales from a fall of 0.8 per cent.

The revised March figure confirmed an upturn in consumer demand after the Gulf war, and although this gave the dollar a temporary boost it fell back as US Treasury bonds and equity prices fell on Wall Street.

A rise of 0.2 per cent in April US consumer prices was in line with forecasts, leaving the year-on-year inflation rates unchanged at 4.9 per cent, and having little impact on the dollar.

At the London close the dollar had fallen to DM1.7015 from DM1.7140; to Y138.30 from Y139.40; to SF1.4330 from SF1.4420; and to FF15.7625 from FF15.8050. On Bank of England figures the dollar's index declined to 65.8 from 66.2.

Apart from US economic data the main factor influencing the foreign exchanges was speculation that Mr Karl Otto Pöhl will announce his resignation as president of the German Bundesbank after tomorrow's council meeting.

## \$ IN NEW YORK

May 14	Latest	Previous Close
1 month	1.7355	1.7355
3 months	1.7355	1.7355
12 months	1.7355	1.7355

Forward premiums and discounts apply to the US dollar.

## STERLING INDEX

May 14	Latest	Previous
9.30 am	91.9	91.8
1.00 pm	92.0	91.8
11.00 pm	91.9	91.8
1.00 pm	91.8	91.8
2.00 pm	91.7	91.8
3.00 pm	91.8	91.8
4.00 pm	91.8	91.8

Forward premiums and discounts apply to the US dollar.

## CURRENCY MOVEMENTS

May 14	Start of Period	Moving 12 Month Change %
Sterling	91.6	-2.3
U.S. Dollar	1.7355	-0.4
Canadian Dollar	1.023	-0.4
Austrian Schilling	108.4	+10.9
Belgian Franc	1,004	-2.2
Danish Krone	109.8	-1.1
D-Mark	116.7	+2.0
Swiss Franc	111.6	+1.0
French Franc	112.6	+1.0
Italian Lira	111.4	+0.6
Japanese Yen	111.4	+0.6
Irish Pound	112.6	+1.0
French Franc	112.6	+1.0
Swiss Franc	112.6	+1.0
Irish Pound	112.6	+1.0
Yen	112.6	+1.0
Spanish Peseta	1,032.62	+1.0
Italian Lira	1,032.62	+1.0
Belgian Franc	1,032.62	+1.0
D-Mark	1,032.62	+1.0
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## WORLD STOCK MARKETS

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## **NYSE COMPOSITE PRICES**

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Continued from previous page

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**FT SURVEYS**

## AMERICA

## Falling bond prices again pull Dow lower

## Wall Street

A SHARP fall in bond prices and computer sell programs left share prices notably weaker yesterday morning in the wake of some mixed economic news, writes Patrick Harrierson in New York.

By 1.30 pm the Dow Jones Industrial Average was down 31.75 at 2,892.67, near its lows for the session. The other key indices were also weaker, with the more broadly based Standard & Poor's 500 down 4.62 at 372.14 at 1 pm, and the Nasdaq composite of over-the-counter stocks down 4.95 at 488.98. Turnover on the New York SE was 100m shares by 1 pm.

Yesterday was a repeat of

last Friday, when a sharp fall in bond prices spurred a similarly sharp drop in equity values. The two markets have remained unsettled since then, the bond market by the excess supply still to be distributed in the wake of the \$37bn Treasury refunding auction, the stock market by continued concern about the absence of a meaningful economic recovery.

The economic news released yesterday provided little in the way of fresh evidence of the state of the economy, although the large upward revision in March retail sales to show an increase of 0.8 per cent on the month came as a surprise.

Motor stocks were 1% to 2% lower. Ford eased 3% to \$32 after reporting an 11 per

cent decline in the sales of its US-made cars during early May.

General Motors, which has revealed plans to sell 16m convertible shares to bolster cash reserves, also eased, dropping 3% to \$35.4. The GM stock sale - its first in over four years - is unusual in that the company will save money on its common stock rises, but lose out if the common stock price falls.

Chrysler, the last of the big three auto makers, was 3% lower. Ford's rise of 3% to \$32 on turnover of 1.9m shares.

## Canada

TORONTO stocks fell across the board in midday trade after a sharp upward revision in US

trading of the 1989 Exxon Valdez oil spill disaster in Alaska had bad news for the dealers' businesses.

The most actively traded stock of the day was a newcomer to the market, Telefonos de Mexico, the giant Mexican telephone company, made its debut. With strong interest in the stock, the price held steady at \$27.75 on turnover of 14m shares.

American Express, which fell sharply on Monday, rallied with a rise of 3% to \$23.4 on turnover of 1.9m shares.

Federal Industries class A shares slid 3.5% to \$36.75 on volume of 62,200 shares. Analysts came away from Monday's meeting with the company thinking that Federal had many problems to solve, and fearing that it would not be able to sell some of its assets at its asking price.

## Manila regains composure after April jitters

Greg Hutchinson reviews the best performing stock market in Asia so far this year

MANILA, the best performing Asian market this year, has recovered from its April jitters. A compromise agreement on US military bases in the Philippines due to be signed later this month, Wall Street's performance and an expansion programme announced by Philippines Long Distance Telephone (PLDT) have helped the market regain its composure.

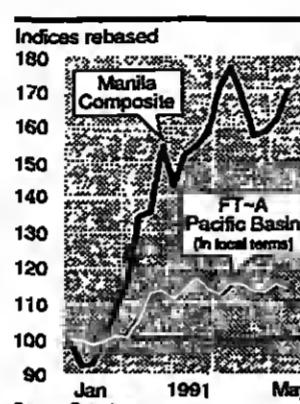
An early end to the Gulf war shook Manila out of its do-drums in the new year. The composite index set a new high of 1,545.73 on April 8, an optimism about the economy greater than the International Monetary Fund (IMF) and the government agreed on a stabilisation programme, and foreign loans resumed.

On April 10, however, the next trading day, the index dropped 7.5 per cent to 1,067.63, when the Philippines' third most senior general strongly criticised the appointment of Mr Lissandro Abada as chief of

staff, and bombs went off at several banks in Manila. The composite index fell 11.4 per cent between April 8 and April 23. It has since recovered most of the ground, rising 16.45 per cent to 1,253.85, a gain of 73 per cent so far this year.

Another reason for the market's uncertainty in April was a power struggle at San Miguel, the country's largest industrial concern, between the government and Mr Edmundo Cojuangco, the company's former chairman and a friend of late dictator Ferdinand Marcos. Mr Cojuangco's shares at San Miguel amounted to 19 per cent of the issued stock, had been sequestered by the government on suspicion that they were part of the wealth alleged to have been stolen by Marcos.

In April, however, Mr Cojuangco won a ruling from the Supreme Court which gave him the right to be represented on the board of San Miguel. The decision is currently under appeal.



San Miguel's "B" shares fell 16.4 per cent from 70 pesos on April 8 to 55.5 pesos on April 22, standing at 60.5 yesterday. Mr Francisco Libero, investment manager at Morgan Grenfell (Philippines), believes that Manila can maintain its position as the best performing market in the region, in spite of significant public offerings

being made in the second half. Ayala Land and Meralco are each expected to raise 1.5bn pesos (\$60m). Other planned offerings include Philippine First, National Steel and National Steel Corporation, as well as possibly Union Bank, Philippine Airlines and Manila Hotel.

Foreign fund managers, who had their fingers burnt by the December 1990 court attempt, are tricking back. The press will be essential to ensure that the big issues are fully taken up. However, families will only return in force when the government comes to grips with the following issues: an infrastructure programme to reduce roads, telephone and power installations; getting inflation down; reducing the budget, trade and oil price stabilisation fund deficit; and liberalising foreign investment laws.

Inflation - currently at 18 per cent - is the main worry, as the government will have

difficulty in meeting an IMF annualised target of less than 10 per cent by the end of the year. The presidential, national and local elections next year and the \$400m of campaign money are unlikely to help.

The market currently gives reasonable value, says Mr David Bates of Asia Equity in London. Price/earnings ratios are at an average 12.4 times prospective 1991 earnings, compared with a 1990 p/e of 15.9. PLDT and Philippines National Bank - two of the largest capitalised stocks - are on price ratios of 6.5 and 6.7.

Nevertheless, the Philippines' position as the top performing Asia Pacific market of 1991 is by no means certain.

"There is still a lot of consolidating to do after the meteoric rise in the first quarter," says Mr Bates. "Hong Kong is likely to overshadow Manila, now that its new airport and China's most favoured nation trading status with the US are both racing certainties."

**SOUTH AFRICA**

THE RECENT decline in the financial rand was co-considering a reduction in domestic oil prices. The composite index rose 7.7% to 638.61 in turnover of Wom15.1bn.

SINGAPORE was quiet, but the Straits Times Industrial index added 7.7% to 1,321.15 in volume of \$388.5m, against \$365.7m. In KUALA LUMPUR, the composite index firmed 2.1% to 587.12 and 32.6m shares changed hands, after Monday's 25.4m. BANGKOK rallied after recent weakness. The SET index moved up 5.6% to 833.79 in light trade of 3,080 baht.

AUSTRALIA's All Ordinaries index eased 4.2 to 1,518.9 as turnover fell from A\$270m to A\$176m ahead of today's March quarter inflation report. JAKARTA saw profit-taking and the index dipped 2.0 to 404.93. Volume was down slightly to 3.23m shares from 3.49m.

## ASIA PACIFIC

## Nikkei suffers third successive decline

## Tokyo

ARBITRAGE buying sustained share prices yesterday morning, but they fell later on continued lack of investor interest and the Nikkei average declined for the third consecutive day, writes Emiko Terao in Tokyo.

The index closed down 63.12 at 26,030.08, the day's low, after attaining the day's high of 26,233.46 in the morning. Investors failed to react to lower short-term interest rates. The unsecured overnight call rate, which reflects the Bank of Japan's monetary policy, fell below 8 per cent for the first time in three months.

Activity remained subdued, volume totalling 270m shares against Monday's very thin 230m. Declines led rises by 427 to 412 and 221 issues were unchanged. The Topix index of all first section stocks firmed a marginal 0.86 to 1,978.64, and in London the ISE/Nikkei 50 index eased 1.60 to 1,463.11.

Traders said institutions were using arbitrage trading in an attempt to keep the Nikkei above 26,000. Mr Muenori Wakita, strategist at Merrill Lynch, said institutions feared that a heavy sell-off would push the index below 25,000.

The electrical sector continued to lose ground on the poor business outlook for Pioneer Electronic announced at the weekend. Pioneer, which dropped Y630 on Monday, ended Y90 lower at Y4,380.



TOKYO fell Y200 to Y5,320 on reports of lower than expected earnings projections.

Banks were stronger on foreign buying. Mitsubishi Bank gained Y50 to Y2,900. Regional banks also advanced, Toho Bank climbing Y100 to Y960.

Taiyo Sanso, an industrial gas maker, rose Y70 to Y1,180 on reports that it had developed a device to clean semiconductor chips with ice grains instead of water; in addition to microchips, the device could be used in the production of liquid crystal displays and lighting equipment.

Investors sought issues with strong earnings forecasts. Suzuki Motor added Y38 at Y716 on reports of a projected 28 per cent rise in pre-tax profits to a rise of 27 per cent.

Hitachi Cable rose initially on its expectations of 20 per cent higher pre-tax profits for the current year, but receded on profit-taking to end unchanged on the day at Y1,140. The company is also expected to benefit from Japan Railway's (JR) capital investment. Nippon Densetsu Kogyo, a rail and signal installations concern also recommended by Japanese brokerages on the "JR theme," added Y10 at Y2,050 on individual buying.

Ikegami Tsushinki, a broadcasting equipment maker, rose Y80 to Y1,640 on rumours that it had received orders from a national television station for its television cameras.

In Osaka, the OSE average slipped 183.44 to 28,874.43 on volume of 24.7m shares. Small and medium-capital shares were bought, but the weakness in the electrical sector damped overall sentiment. Nintendo, the video games maker, shed Y400 to Y15,300 and Murata lost Y50 to Y2,650.

## Roundup

THE REGION reversed Monday's pattern, with most markets a little better in spite of another decline in Tokyo.

NEW ZEALAND took its largest tumble for 1991, the Barclays Index falling 40.91 to 1,497.30; with Monday's decline of 35.83, this makes a 4.9 per cent drop over two days.

Turnover more than halved,

from NZ\$27.8m to NZ\$13.4m. The slide, once again, was blamed on Fletcher Challenge, which said last Friday that it was placing 75m shares with institutions. Fletcher weakened 12 cents to NZ\$33.78 yesterday, against a placing price of NZ\$33.90; it has lost 3.6 per cent in a week.

HONG KONG closed firmer, but off the day's highs, on continued optimism about the new airport project. After opening easier, the Hang Seng Index climbed to 3,797 before ending 17.51 up at 3,785.14, its best close in five weeks. Turnover increased to HK\$1.23bn from HK\$1.06bn.

SEOUL advanced on reports that the government was considering a reduction in domestic oil prices. The composite index rose 7.7% to 638.61 in turnover of Wom15.1bn.

SINGAPORE was quiet, but the Straits Times Industrial index added 7.7% to 1,321.15 in volume of \$388.5m, against \$365.7m. In KUALA LUMPUR, the composite index firmed 2.1% to 587.12 and 32.6m shares changed hands, after Monday's 25.4m. BANGKOK rallied after recent weakness. The SET index moved up 5.6% to 833.79 in light trade of 3,080 baht.

AUSTRALIA's All Ordinaries index eased 4.2 to 1,518.9 as turnover fell from A\$270m to A\$176m ahead of today's March quarter inflation report. JAKARTA saw profit-taking and the index dipped 2.0 to 404.93. Volume was down slightly to 3.23m shares from 3.49m.

## FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

## NATIONAL AND REGIONAL MARKETS

	MONDAY MAY 13 1991			FRIDAY MAY 10 1991			DOLLAR INDEX						
	US Dollar index	Day's Change %	Pound Sterling Index	US	Local Currency Index	Local % chg	US Dollar Index	Pound Sterling Index	DM Index	Local Currency Index	1991	1991	Year ago (approx)
Australia (74)	143.70	-2.2	126.68	122.75	5.61	147.03	126.81	151.80	124.88	147.30	112.74	108.20	
Austria (18)	200.82	+1.2	171.90	176.95	179.77	+0.5	147	198.49	171.17	178.04	222.37	167.00	257.79
Belgium (60)	136.68	+0.7	120.41	121.75	119.47	+0.5	4.95	135.74	119.04	121.77	119.17	151.20	152.12
Canada (117)	138.29	+0.1	121.85	122.22	115.18	+0.4	3.68	138.09	119.10	121.10	123.87	115.19	148.99
Denmark (21)	201.45	-0.4	190.20	202.25	191.40	+0.2	1.82	201.20	192.22	210.74	219.58	217.74	249.57
Finland (31)	151.28	+0.7	98.68	101.59	102.73	+0.7	2.49	114.50	98.75	100.43	102.72	97.14	102.52
France (112)	188.68	+0.0	122.85	123.25	123.73	-0.8	0.8	138.88	119.78	121.79	124.57	127.22	128.28
Germany (86)	110.43	-0.1	94.53	97.32	98.40	+0.7	2.90	110.51	95.32	96.94	99.14	125.38	133.90
Hong Kong (47)	154.93	+0.7	132.62	138.07	138.07	+0.8	4.41	153.92	132.75	149.99	138.00	153.99	156.75
Ireland (17)	155.25	-1.0	133.76	139.24	141.18	+1.5	3.98	157.90	136.18	138.48	141.64	143.40	152.88
Italy (91)	150.50</												